

FAR EASTERN ECONOMIC REVIEW

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THE RICE ECONOMY OF THE FAR EAST

The series of meetings on Asiatic food problems held by the Food and Agriculture Organisation at Baguio in the Philippines, has again drawn attention to the serious food shortage which still confronts the countries of the Far East and India. Even before World War II, the population of this region, numbering now about 1,125 million (including Japan and Korea), lived generally in conditions of extreme poverty by comparison with the people in most countries of western Europe. A large proportion of total family expenditure was spent on food so that there was little left for clothing and other requirements. The high percentage of expenditure on food did not mean, however, that the people were well fed. A high proportion of food expenditure was on cheap cereals and other carbohydrates. Not only was the caloric intake low, but there was a lack of balance in the diet and an inadequate consumption of protective food.

Low Productivity & Inefficiency.

The reason for this poverty has been low productivity per head of the population and inefficient organisation for increased production. Poverty, in its turn, presents a barrier to the development of new techniques and methods, and not all areas within the region have any substantial volume of natural resources to be developed even with new techniques. In some parts of the region the pre-war situation was tending to becoming worse, especially in relation to food supply, in view of the continued increases in population. Although population estimates for the whole region are unsatisfactory, an annual increase of eight million indicates the order of magnitude of the problem.

As agricultural production per head is low, the surplus available to feed those in other occupations is also low, while purchasing power per head for non-agricultural products is trivial. This is why the part of the population

engaged in agriculture is high throughout the region, varying from 60 per cent to 80 per cent. Except in Japan and parts of India and China, industrialisation is not greatly advanced.

In consequence, foreign trade did not show as great a proportion of total production before World War II as in Europe, but nevertheless, it was of great importance. Much of it was within the region, and this was especially true for rice, the staple food. The basic importance of rice and the nature of the trade in rice gave the region a certain homogeneity which is aptly expressed in the designation "the rice economy of Monsoon Asia."

About 95 per cent of the world's rice is produced and consumed within Asia. Out of a total annual pre-war world production of 106,600,000 tons, Asia accounted for 102,500,000 tons. International trade in rice is also largely confined to this area, which accounted for 5,300,000 tons out of 7,300,000 tons of rice imports before World War II. The main rice importers were India, China and Malaya.

Dislocations after the War and Decline of Food Production.

World War II brought a general economic dislocation and decline of food production in the areas where fighting took place. Damaged irrigation systems and storage facilities, depletion of working animals, shortage of agricultural and milling machinery and parts, and of fertilizers, scarcity of farm labour, damaged and inadequate transport—all these factors served to decrease production and to increase the difficulties of providing equitable and economical distribution of available food. To these difficulties must be added the effects of war and post-war conditions on the morale of producers. In certain areas, insufficient police protection to maintain law and order have deterred farmers from going far from their villages, and cultivation of outlying fields has been considerably

curtailed. Political unrest and civil war have not only had an adverse effect on rice production, but have made effective mobilisation of supplies and control of distribution far from adequate.

As a result of these factors, exportable supplies of rice are in the current year (July 1947 to June 1948) still less than one-half the quantity that moved in international trade before World War II, and about one-third of stated import requirements of the major rice-consuming countries. There is no simple solution for the world rice problem as the latest Report of the International Emergency Food Council indicates. In some countries economic factors are primarily responsible for the slowness in rehabilitating rice production; in other areas the difficulties are more deep-seated, since they have their roots in political and cultural maladjustments. In Ceylon and Malaya rice production is increasing. Burma is making steady progress in the rehabilitation of rice output; exports are expected to reach nearly 1,200,000 tons in 1948 as compared with 865,000 tons in 1947. (This compares with 2,950,000 tons before World War II). The current crop in India and Pakistan is expected to be lower than the estimated 28 million tons produced in 1946-47.

Grain Requirements and Strain on Britain's Dollar Pool.

The rice shortage increases the drain on the world supplies of other cereals. Thus India (including Pakistan) received over two million tons of grain in 1946-47 whereas before World War II she was a net exporter on a small scale. The additional grain requirements of the sterling countries in Asia constitute a further strain on Britain's dollar reserves, which are the reserves of the whole sterling area.

Dislocation of agricultural production in the Far East and India also affects the world's fat supplies. In India the over-all food situation is likely to remain so acute that import requirements of fats will probably well exceed such export supplies as can be

TWO YEARS OF OPERATION OF INTERNATIONAL BANK

Controlling Policies --- Basic Procedures --- Present Position

(By CHESTER A. MCLAIN, General Counsel, International Bank for Reconstruction and Development)

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT celebrated its second birthday on December 27, 1947. Although it has been in existence 2 years and has loaned nearly one-half billion dollars and has borrowed in the American market one-quarter billion dollars, there is still great lack of understanding and even misunderstanding as to what the Bank is and how it functions.

The Reason for the Bank

Frequently, the first question asked by those who are not familiar with the history of the Bank is "Why an International Bank?" That question goes to the very heart of the subject.

Today we find in the U.S. a nation which has the greatest productive capacity in the world and which is producing in record-breaking quantities everything from food to steel and automobiles. Across the oceans, east and west, are nations starving for those goods, but without the foreign exchange resources with which to purchase them. They find themselves in that condition because of the ravages of war. They are suffering not only from the destruction of their industrial plant by bombs and shells and enemy sabotage, but also from the deterioration of their economies because of lack of proper upkeep and maintenance during the war years and the exhaustion of their working stocks resulting from the war. That deterioration has been accentuated in some countries by fear and lack of confidence arising from political uncertainties and disturbances, depreciation of currencies and severe shortages of food, fuel, clothing, and other living essentials.

Peace is more than the mere aftermath of war. The restoration of peace, if it means anything, must mean the restoration of free international intercourse, the free exchange of goods and services between those who need them and those who can satisfy the need. In order to restore that free intercourse it is first necessary to create in the countries which need such goods and services the purchasing power with which to buy them, so that they may restore

the normal functioning of their own economies and thus create their own purchasing power through the production of exportable surpluses of goods which they can produce.

At the moment the needs of the respective countries are so great, and political and economic conditions are so uncertain that private investors hesitate to take the risks involved. In order to bridge the gap, the representatives of 44 nations who met at Bretton Woods, N. H., in July 1944, conceived the idea of establishing two great international cooperative institutions which were intended between them to promote freedom and stability in international exchanges and to restore the flow of international capital investment. Those two institutions are the International Monetary Fund and the International Bank for Reconstruction and Development.

International Monetary Fund

We are not here concerned with the operations of the International Monetary Fund. It is sufficient merely to mention that the Fund is designed to promote international monetary cooperation through consultation and collaboration among its members on international monetary problems and also to provide an international fund to assist its members in meeting conditions of temporary disequilibrium in their balance of international payments. The Bank, on the other hand, is intended to render long-term financial assistance to its members for the purpose of reconstructing or developing their productive facilities and resources.

Membership in the Bank

The Bank now has 46 members. Of those 46 members, 40 were represented at the Bretton Woods conference, one (Denmark) was admitted to membership at the inaugural meeting of the Board of Governors of the Bank at Savannah, Ga., in March 1946, and five (Italy, Turkey, Lebanon, Syria, and Finland) have since been admitted to membership. Of the 44 nations which were represented at the Bretton Woods conference only four are not now members of the Bank. They are New Zealand, the Soviet Union, Haiti, and Liberia.

The Capital of the Bank

The authorized capital stock of the Bank is US\$10 billion, divided into 100,000 shares of the par value of \$100,000 each. The total amount of the capital stock which has been subscribed is \$8,263,100,000. The amounts of the subscriptions of the original members were fixed at Bretton Woods and are set forth in Schedule A to the Articles of Agreement of the Bank. The subscription of Denmark was fixed by the Board of Governors at its meeting at Savannah, Ga., in March 1946. The subscriptions of new members are fixed in agreement with such members at the time when their admission to membership is approved.

For purposes of analysis the capital stock of the Bank may be divided into three parts:

(1) Two percent of the subscriptions to the capital stock of the Bank is payable in gold or United States dollars. Original members of the Bank were required to pay that 2 percent on or before August 24, 1946. Members admitted after that date are required to pay such 2 percent when they become members by signing the Articles of Agreement. An original member whose territories were invaded during the war is entitled under the Articles of Agreement to postpone for 5 years payment of one-half of 1 percent out of such 2 percent. Six members (China, Czechoslovakia, Denmark, Greece, Poland, and Yugoslavia) have availed themselves of that privilege, and the total amount payment of which has been thus postponed is \$4,915,000. The total amount of the 2 percent which has been paid in gold or United States dollars is thus \$160,347,000. That amount is freely available for use in the Bank's operations.

(2) Eighteen percent of the subscriptions to the capital stock of the Bank was subject to call for use in the Bank's operations and is payable in the currencies of the respective members. All of that 18 percent has now been called. The last call of 5 percent was payable on or before May 26, 1947. That 18 percent amounts in the aggregate to the equivalent of \$1,487,358,000. That part of the Bank's capital can be loaned only with the consent of the particular member whose currency is used. Most of the members of the Bank are not now in position to permit the export of capital and, therefore, to consent to the lending of their currencies by the Bank. Belgium is the only country, other than the United States, which has so consented. Belgium has consented to the lending of the equivalent of \$2,000,000 of Belgian francs out of its subscription. Thus down to the present time the only part of the Bank's capital which has been available for lending is the part which has been paid in in United States dollars plus the equivalent in Belgian francs of \$2,000,000.

(3) The remaining 80 percent of the subscription of each member is subject to call only when required to meet the obligations of the Bank. It is in the nature of a guaranty fund, which is not available for use in the lending operations of the Bank, but can only be called and used to meet the Bank's obligations.

Organization of the Bank

The Bank's organization consists of—

(1) A Board of Governors composed of one governor appointed by each member and an alternate for each governor.

made available this year. It is doubtful whether any important volume of oilseeds will be available from China in general, and from Manchuria in particular. Only in the Philippines has production (of copra) been fully restored, although in Ceylon, too, progress has been made in the rehabilitation of the copra industry.

The most important need for the increase of Asia's rice crops is the provision of more fertilizers, especially nitrogen. In view of the continuing world shortage of nitrogen supplies, it is difficult to say where any additional nitrogen will be found for this purpose.

(2) A Board of Executive Directors composed of 13 members, of whom 5 are appointed by the five largest stockholders (the United States, the United Kingdom, France, China, and India) and 8 are elected by the remaining members. Each Executive Director also has an alternate.

(3) The President, who is elected by the Executive Directors, and the staff appointed by the President.

Under its Articles of Agreement all the powers of the Bank are vested in the Board of Governors, which may delegate and has delegated such powers (with certain exceptions) to the Executive Directors. The exceptions include the admission of new members, the increase or decrease of the capital stock of the Bank, the suspension of a member, decisions on appeals from interpretations of the Articles of Agreement of the Bank made by the Executive Directors, approval of Agreements with other international organizations, and decisions with regard to the distribution of the net income of the Bank and the liquidation of the Bank.

In the Board of Governors each member nation has 250 votes plus 1 vote for each share of stock subscribed by it. In the Executive Directors each appointed director has the same number of votes as the government which appointed him, and each elected director has the same aggregate number of votes as the nations which elected him.

The Board of Governors meets annually but may be called for special meetings when required. A vote of the Board of Governors may also be taken, without a meeting, by cable, wireless or letter.

The Executive Directors meet regularly at the office of the Bank in Washington and are available for special meetings when required. The function of the Executive Directors corresponds generally to that of a board of directors of a private corporation.

The President is ex officio chairman of the Executive Directors without vote except in case of a tie. He is the chief of the operating staff of the Bank. Subject to the direction of the Executive Directors on questions of policy, he is responsible for the conduct of the business of the Bank and for the organization, appointment, and dismissal of its officers and staff. The officers of the Bank include the Vice President, who is the general manager of the Bank, and the heads of its various departments.

In practice there is close and constant cooperation between the President and his staff and the Executive Directors. At the regular meetings of the Executive Directors the heads of the operating departments are present and through informal discussions at such meetings the Executive Directors are kept constantly informed of the progress of the Bank's affairs and exchange views informally with the President and his operating chiefs on

matters pending before the Bank. In that way the Executive Directors are placed in position to act promptly on all recommendations presented to them by the President.

Bank's Lending Operations

Briefly, the purpose of the Bank is to assist in the reconstruction and development of the productive facilities and resources of its members by making direct loans, participating in loans made by others or guaranteeing loans made by others. It may make loans, participate in loans or guarantee loans to any member or any political subdivision of a member or to any business, industrial, or agricultural enterprise in the territories of any member.

If the member government in whose territories the loan is made is not itself the borrower, and, therefore, the principal obligor on the loan, then the loan must be guaranteed by that member or by its central bank or other agency acceptable to the International Bank.

In carrying out its purposes the Bank seeks to promote private international investment. It cannot make or guarantee a loan unless it is satisfied that the borrower would be unable otherwise to obtain the loan under conditions which, in the opinion of the Bank, are reasonable for the borrower. It is thus contemplated that the Bank shall make or guarantee loans only where private investors are unwilling to make such loans on reasonable terms.

On the other hand, the Bank must weight the purposes for which the loan is to be used and satisfy itself that the loan is within the scope of the purposes of the Bank—that is, that the proceeds of the loan will be used for the reconstruction or development of the productive facilities and resources of the country in which the loan is to be made; that the project to which the proceeds of the loan are to be applied is technically and economically sound; and that the amount, terms, and conditions of the loan are such that there is a reasonable prospect that the loan will be repaid. The Bank is specifically enjoined by its Articles of Agreement to act prudently in the interests both of the particular member in whose territories the loan is to be made and of the members as a whole.

In practice each loan application and the data submitted in support of it are analyzed and studied by members of the staff of the Bank designated for the purpose. On the basis of their report the President makes his recommendations on the application to the Executive Directors. If his recommendation is favourable, the designated members of the staff proceed, under his general direction, to negotiate the amount, terms, and conditions of the loan. The Executive Directors are kept informed through memoranda and informal reports of the status of the respective loan applications and of any questions of policy which arise in connection therewith. The procedure is not specially formal-

ized and necessarily varies as among different loan applications, depending on the character and scope of the project for which the loan is desired. On technical engineering and economic matters the Bank avails itself of the services of outside experts on a consultative basis. When necessary, the Bank sends members of its staff or experts specially retained by it to the borrowing country in order to study the project on the ground. A loan is made by the Bank only after the amount, terms, and conditions of the loan have been recommended by the President to the Executive Directors and his recommendations have been approved by them.

The Bank is required by its Articles of Agreement to make arrangements to ensure that the proceeds of the loan are used only for the purposes for which the loan was granted. When the Bank makes a contract to grant a loan it sets up on its books an account in the name of the borrower to which the amount of the loan is credited. The borrower is permitted to draw on that account upon submitting proof satisfactory to the Bank that the amount to be withdrawn will be applied only to the purposes for which the loan was granted.

Furthermore, having regard for the general purposes of the Bank and its international cooperative character, it includes in its loan contracts provisions whereby, during the life of the loan, it will be furnished currently with information concerning the application of the proceeds of the loan, the progress of the project for which the loan was granted, and general economic and financial conditions in the country where the project is located. Provision is also made whereby the Bank will be in position at all times to consult with the borrower concerning all such matters.

It is believed that such provisions will be of increasing importance in enabling the Bank to keep informed with regard to economic and financial conditions and trends throughout the world and to direct its efforts and resources most effectively toward the promotion of the long-range balanced growth of international trade and the maintenance of equilibrium in international balances of payments.

The Bank has made contracts for four loans, as follows:

Borrower	Amount of loan
Credit National (France)	\$250,000,000
Kingdom of the Netherlands	195,000,000
Kingdom of Denmark	40,000,000
Grand-Duchy of Luxembourg	12,000,000
Total	497,000,000

Of the total, \$300,115,648 had been advanced by December 31, 1947.

The Bank is empowered to borrow funds for use in its operations provided that it obtains the approval of the member in whose markets the funds are to be borrowed. It is obvious that in present conditions the Bank must rely for some time to come on its ability to borrow in the investment markets of the United States, if it is to

come anywhere near to satisfying the loan applications which have been or will be made to it.

Considering the amounts which the Bank will need to borrow, it seems clear that it will have to look chiefly to large institutional investors, such as insurance companies and savings banks and others who customarily invest in prime securities. At the same time, from a long-range point of view, the Bank should seek to have as wide a distribution as possible of its securities.

On July 15, 1947, the Bank made the first public offering of its bonds consisting of two issues: one of \$100,000,000, principal amount, of Ten Year 2½% Bonds, due July 15, 1957, and the other of \$150,000,000, principal amount, of Twenty-Five Year 3% Bonds, due July 15, 1972. Both these issues were priced at par. The offering was made through more than 1,700 securities dealers throughout the United States. For a time the bonds sold at a premium, but in line with high-grade bonds generally they have declined recently and at the date when this is written they are quoted around 95. In part this decline has been due no doubt to the general international political and economic uncertainties and also in part to what is apparently a general trend in the United States toward higher interest rates.

It can be safely assumed, however, that the decline in the prices of the Bank's bonds does not reflect any doubt on the part of investors as to the security of the bonds. The bonds are general obligations of the Bank not secured by any pledge of specific collateral, but behind the bonds are, first the Bank's portfolio of loans, the principal amount of which outstanding at December 31, 1947, was \$300,115,648; second, its liquid assets in cash and marketable securities, including demand notes of members, which at December 31, 1947, aggregated approximately \$681,000,000 in United States dollars and gold (not including the equivalent of approximately \$909,000,000 in other currencies); and, third, the 80 percent of the subscribed capital stock of the Bank which is subject to call only to meet the obligations of the Bank and which at the present time aggregates \$6,610,480,000, of which \$2,540,000,000 is the share of the United States.

During the first 10 years of its operations the Bank is required to charge on all loans guaranteed by it and on all loans made by it out of borrowed funds a commission of not less than 1 percent and not more than 1½ percent per annum on the amount of the loan outstanding. That commission is required to be kept in liquid form in a special reserve to meet the Bank's obligations. The present policy of the Bank is to charge a commission of 1 percent per annum on all loans, whether made out of capital or out of borrowed funds. That commission will be accumulating in the special reserve during the period in which the Bank is making its loans.

The Bank and the Marshall Plan

The unusually severe winter of 1946-47 in Europe and droughts in 1947

HONGKONG EXCHANGE CONTROL

Principles and Procedures of Sale of Foreign Exchange for Imports and for Private Purposes; and Export Control.

The following abbreviations are used:—

"Bank" is a bank authorised by the Government to deal in foreign exchange; at present the members of the Exchange Banks' Association.

"Sterling Area" comprises the countries which appear in the First Schedule of the United Kingdom Exchange Control Act, 1947 (The Scheduled Territories) and at present consists of the following:—

British Empire except Canada and Newfoundland
British Mandated Territories, Excluding Palestine.
British Protectorates and Protected States
Iraq
Iceland and the Faroe Islands.
Burma

"Foreign Currency" is a currency of any country outside the sterling area.

spring and summer of 1947 further accentuated the shortages of food and feedstuffs in the countries of Western Europe, put an increased strain on their foreign exchange resources, and made increasingly apparent the necessity for a comprehensive program of aid to those countries. Such a program was suggested by Secretary Marshall's address at Harvard in June, and out of the suggestion there has evolved the European Recovery Program, otherwise known as the Marshall Plan.

The Bank is not directly involved in that Plan. The various reports relating to the Plan have referred to the possibility that the Bank may finance a part of the requirements of the Western European countries for capital equipment. That would not require that the Bank step out of its established role, although, of course, the extent to which the Bank can finance such requirements must depend on its ability to borrow the necessary funds in the American securities markets. As of December 31, 1947, the amount of United States dollars which the Bank had available for use in making loans was approximately \$480,000,000.

The carrying out of the Marshall Plan will affect the Bank's operation in two ways. To the extent that the Plan shall satisfy the needs of the participating countries for foreign exchange with which to purchase food, feedstuffs, clothing, fuel, and raw materials, it will improve their balance of payments position and make it possible for the Bank to make loans in such countries. On the other hand, to the extent that aid advanced under the Marshall Plan shall be by way of loans, it will impose an additional burden on their future balance of payments and tend to reduce the amount of loans which the Bank can make in those countries. The over-all effect of the Marshall Plan will also be reflected in the American securities markets and the ability of the Bank to borrow funds there.

SALES OF FOREIGN CURRENCIES

(1) Imports

(1) In most parts of the sterling area import licences carry with them the right to obtain the necessary foreign exchange but, in view of the necessity of maintaining the entrepot trade of the Colony, merchants are permitted to import goods into Hong Kong, for local sale or subsequent export, with few formalities provided they do not require foreign exchange to be provided from the sterling area pool.

It is thus necessary for all official sales of foreign exchange against imports to obtain prior approval whether the applicant is in possession of an import licence or not.

A.E. or E.I. forms, approved in the Exchange Control office are only valid for a period of six months and where these are marked "Authorised shipping documents only" payment is only authorised on the understanding that foreign exchange is not disbursed until delivery is made to the bank's branch or correspondent abroad of ocean bills of lading covering the shipment of the goods mentioned on the form. Credits are only opened providing for shipment within a period of six months and extension may only be made in the case of non-shipment if permission is obtained from the Exchange Control office. Provided the shipment is made within this period, it is not necessary for extension to be obtained even if payment of the bill is made at a later date. The type of goods specified in the credit must be the same as that on the A.E. Form and approval is required before any alteration may be made. There is, however, no official objection to the alteration of the name of the supplier of the goods without approval, should it be found that the original exporter is unable to accept the order. In fixing forward exchange contracts for importers banks are guided by the conditions stated above and under no circumstances deliver exchange against A.E. forms where shipment is not made within the period of the validity of the form.

(2) Permission by the Control to sell foreign currencies is normally limited to imports for consumption within the Colony. Where goods are being imported from countries outside the sterling area for transshipment the following conditions should be complied with:—

Re-export to Countries Within the Sterling Area

Remittances to cover imports for re-export to countries within the sterling area are only granted provided the purchase of the requisite foreign currency is allowed by the exchange control of the country of final destination. The Form E.I. or local equivalent

should be produced, if available, or a certificate given by the bank concerned to the effect that advice has been received from their branch or correspondent that the local control approval has been obtained.

Re-export to Countries Outside the Sterling area.

Remittances to cover imports for re-export to countries outside the sterling area are only allowed provided a sale of an equivalent amount of the currency in question is made to the bank concerned. A certificate to this effect should be attached to the Form A.E. or E.I.

Certain exceptions are allowed administratively to this rule.

(3) A.E. Forms for payment of imports are generally approved if supported by a bank certificate of purchase for an equivalent amount of United States currency provided the United States currency is in the form of notes or drafts on banks in the United States of America.

Certificates covering purchase of drafts drawn on banks in Hong Kong in United States currency or purchase of currencies other than United States dollars will not be considered.

(II.) Private Purposes

Applications for remittances of foreign exchange for private purposes are normally not granted but all applications submitted to the Exchange Control office should contain full particulars. In particular the nationality of the applicant should always be given. The types of application to which consideration will be given in respect of applications submitted by residents of Hong Kong are as follows:—

(1) STUDENTS

Sales of foreign currency are not granted for payment of education below University level and persons wishing to proceed to countries outside the sterling area to attend Universities are required to submit their applications to the University Selection Committee for consideration. Provided these applications are recommended by that committee, A.E. Forms may be submitted to the Exchange Control office for the necessary foreign exchange.

(2) BUSINESS

All applications for exchange for visits to countries outside the sterling area on business should be accompanied by a letter giving full details.

(3) HEALTH

All applications for exchange for visits to countries outside the sterling area on medical grounds should be accompanied by a certificate from the applicant's own doctor. Permission will only be granted in such cases where a visit to the country concerned is vital to health and it may be necessary for applicants to be examined at their own expense by a Government Medical Officer.

(4) LIFE INSURANCE PREMIUMS

Applications to pay life insurance premiums in foreign currencies are only considered provided the policy was taken out prior to 3rd September, 1939.

(5) OTHER PURPOSES

Sales of United States currency against drafts in United States dollars drawn on Hong Kong are only made after approval has been obtained from the Exchange Controller, which will not generally be granted.

Sales of United States currency in payment of passages always require prior approval from the Exchange Controller, which, however, will very rarely be given.

EXPORT CONTROL

(1) Under the Export Control Order, 1947, as subsequently amended, the export of all goods is prohibited to any country outside the sterling area, excluding China, unless a licence is obtained from the Import and Export Department. In respect of certain commodities export licences will only be issued to exporters who complete a declaration to the effect that they will arrange to obtain payment for the goods through a member of the Exchange Banks Association. The declaration form (Green form 2A—Export) may be obtained from the Import and Export Department.

(2) Merchants wishing to export such goods to any country outside the sterling area must complete in triplicate the necessary form and submit it to the Import and Export Department to obtain a licence to ship the goods.

One copy of the form will be retained by the Import and Export Department and two copies will be handed back to the exporter, one of which should be submitted to the shipping company for counter signature and submission to the Import and Export Department. After shipment has been made, and not later than one week after the ship has left the Colony, the second copy of the form retained by the merchant, together with the bill of lading covering the shipment, must be produced to the bank named on the form. Banks are required to certify on the form that payment has been arranged by an approved method and forward it to the Exchange Control office as soon as the shipping documents are in their hands.

(3) For the present, exporters of wood oil, Tin and Silver, financed in United States currency, are permitted to utilise 75% of the F.O.B. value of the goods and sales against such purchases are authorised on application to the Exchange Control office, provided a certificate is attached from the bank purchasing the bill. This facility only applies to shipments financed in United States currency and does not apply to shipments financed in sterling or other currencies. Certificates should always be made out for the F.O.B. value of the shipment and under no circumstances for the C.I.F. value.

EXCHANGE & FINANCIAL MARKETS

Chinese Government Banks in Hongkong

The Chinese Government has established seven banking institutions in Hongkong for the purpose of maintaining liaison work with the British authorities engaging in ordinary banking business and attempting to control the trade of so-called Chinese major exportable products and the direction of overseas remittances via the Colony to China.

(1) The Central Bank of China keeps an office in the Hongkong & Shanghai Bank Building for the purpose of maintaining liaison with Hongkong Government and conducting research in native trade, commerce, finance and transportation for its head office in China. The joint representatives of this office here are Mr. Fisher Y. C. Yu and Mr. T. K. Tseng, while Dr. Yuan-Li Wu is the assistant representative.

(2) The Joint Office of the Four Government Banks maintains an office (for research) in the Hongkong Branch of the Chinese Postal Savings and Remittances Bank in Shell House. The office has been practically inactive for the last six months.

(3) The Bank of China is situated at No. 4, Queen's Road, Central but may soon start building its own house which will be next to Hongkong Bank. It is the most active Chinese Government banking institution in Hongkong and its manager is also the Chairman of the Chinese Bankers' Association here which is at the moment being reorganised pending registration with the local authorities. The Bank deals in every line of commercial banking business and is one of the leading Chinese Government banks organising overseas Chinese family remittances. A large volume of foreign exchange surrendered by merchants when exporting Chinese products from South China via Hongkong are usually turned over to this Bank. Mr. Shou J. Chen is the manager of the Bank, while Messrs. S. N. Mah and G. S. Kwok are Sub-Managers. Mr. K. C. Jay is Secretary.

(4) The Bank of Communications has its business office in Prince's Building, No. 5 Ice House Street, and transacts every type of commercial banking business. It often finances transactions in Hongkong of the Ministry of Communications. The Manager is Mr. P. N. Chung, who acted for a long period after Japan's surrender as the Special Commissioner in Kwangtung and Kwangsi for the Finance Ministry. Mr. Chung is one of the leading bankers of China.

(5) The Farmers Bank of China is reported to be the personal bank of President Chiang Kai-shek. Its local branch is located at No. 3 Des Voeux Road, Central, with Mr. Y. Tso as Manager. It is a commercial bank engaged in all types of banking business.

(6) The Chinese Postal Savings and Remittances Bank has its office in Shell House. It is controlled by the Ministry of Communications. The Manager of the local branch is Mr. C. C. Hsu. It is also a commercial bank and one of the competitors of the Bank of China in its endeavour to attract more overseas remittances to China from abroad via the Colony.

(7) The Central Trust of China is the youngest in age among the Chinese Government controlled banking institutions which established a branch office in the Colony (in Pedder Building) on December 5, 1947. (A report on the establishment of the Central Trust may be found on page 686, of this Review of Dec. 17, 1947). The Manager of this bank is Mr. T. H. Mai, who was Director of the South China Trade Board in Canton (now known as the South China Regional Committee of the Import Export Board) prior to his appointment as manager of the Central Trust in Hongkong.

The Central Trust's Hongkong branch is very active and has been successful in securing much foreign exchange for the Chinese Government through the export of Chinese produce from especially South China to Hongkong. The Branch was, *inter alia*, established here for the purpose of effecting a link for trade between China and the South Seas and the whole Sterling area.

It has been offering much competition to the National Resources Commission and the China Vegetable Oil Corporation in effecting purchases of vegetable oils and minerals. The Central Trust purchases tung oil, other vegetable oils, bristles, silk, tea and minerals in Canton on commission basis and ships them out to Hongkong, where they are sold to local exporters on a Hongkong dollar basis. The office here claims that it is not its policy to export Chinese produce direct to foreign countries from Hongkong but is anxious to assist traders in China to sell their goods and thus remain in the business.

HONGKONG—A DOLLAR LEAK

The free exchange market of Hong Kong has been discussed in a recent issue by the Manchester Guardian as follows:—

A Bank of England expert has gone to Hongkong to investigate the leak in British exchange control which has threatened to become serious. Dollars have been lost through re-export to the US of goods from the sterling area. Dollars which should have come to the sterling area if goods were shipped direct have instead gone into the free foreign exchange market. Moreover, Hongkong has a dollar deficit.

The Exchange Control had to provide dollars, but part of the dollar imports were not for Hongkong but for re-export. Hongkong's exchange control problem is unusually difficult. Stopping leaks by strictly limiting imports would deprive Hongkong of its livelihood from re-exports. The local needs of Hongkong's abnormally increasing population cannot be precisely calculated. The British Exchange Control cannot claim all Hongkong's foreign exchange earnings since part comes from re-exporting goods imported from outside the sterling area.

Thus, initially traders were allowed to keep their foreign exchange earnings or sell them in the free market. The trouble is that sterling in the free market has fallen to \$3. For example, a Hongkong trader buys £10,000 worth of rubber in Singapore which he sells in New York for \$40,000, which he sells in the Hongkong free market for over £13,000. The trader makes a large profit while the sterling area loses dollars.

Some of the dollars may come back indirectly. Singapore can buy in sterling through Hongkong US goods for which the Singapore Exchange Control will not provide dollars. Recently, the Exchange Control altered its policy. All foreign exchange from exports of presumable sterling area goods, like rubber, must now be surrendered and 25 per cent. on some other goods, for example, tung oil imported from China and re-exported to the United States enables Hongkong to earn dollars for the sterling area.

But the other 75 per cent. feeds the free foreign exchange market and the sterling's discount thereon enables enormous profits from buying in sterling and selling in dollars.

To compel the surrender of all foreign exchange would be unworkable but, while the free market continues, it is doubtful that exchange control can be tightened enough to stop serious evasion.

PRICE ADVANCES & INFLATION IN CHINA

Exchange Rates: CN\$3.33 equalled US\$1 during the years 1936/40, during the war years until the end of hostilities the official rate stood at CN\$20, was subsequently increased in 1936 to CN\$3.350 and, since February 1947, remains unchanged at CN\$12.000.

The present official open market rate is CN\$324,000 per US\$1, while the black market rate last week in Shanghai stood at CN\$650,000.

At the end of the war in the Pacific the Shanghai free exchange market quoted US\$1 at around CN\$1,000, in 1946 the average rate was CN\$6,450, in January and July 1947 the rates (black market) were respectively CN\$7,233 and 42,500. It is generally anticipated that the black market rate for one US\$ will reach this year over one million CN\$.

China's official assets in the U.S.: (in millions of US\$)—in 1939 about 167, during the war years 1942/45 highest 582 lowest 361, in July 1946 the all-time high of 612; subsequently assets steadily declined at the end of 1946 to 432, in June 1947 only 369. Currently held assets in U.S. by Nanking authorities estimated at less than US\$250 million.

Note Circulation: in 1937 1.6 billion CN dollar, in 1938 about 2.3 billion, after that year note circulation was concealed by Chinese Government. Current estimate: 120,000 billion CN\$.

Cost of Living:—basis 1937:1—

Year	Index	Year	Index
1938	1.26	1939	1.66
1940	3.60	1941	6.94
1942	16.73	1943	60.67
1944	401	1945	630
1946	3,380		

In 1947 January the index rose to 6,700, reached in July 27,000, and by beginning of April 1948 between 300,000 to 500,000 with the general anticipation of a cost of living index of one million within the current year.

Exchange Banks' Dealings in Sterling And Foreign Currencies

Dealings in Currencies quoted by Bank of England

Banks are permitted to deal in all foreign currencies which are officially quoted by the Bank of England and all transactions in these currencies are on the basis of the rates of exchange fixed in London and the current Hong Kong Dollar/Sterling rate.

Sterling Accounts

The Bank of England are not in favour of accounts being maintained in sterling outside the United Kingdom and banks therefore do no longer open any accounts in sterling without

approval from the exchange control office. This is only granted if very good reasons for the necessity of such an account are shown.

Drafts drawn in foreign currency on banks in Hong Kong

Drafts drawn in foreign currency on banks in Hong Kong are only paid in local currency at the banks' usual buying rate. Drafts in the foreign currency are not issued in exchange nor are certificates given by banks to the holder to the effect that a purchase of currency has been made, unless it is clearly shown that the draft is drawn on Hong Kong.

Shanghai Cost of Living index:—

		Workers	Salaried Employees
1947	January	7,945	6,614
	December	68,200	58,600
1948	January	95,200	80,700
	March	217,000	166,000

* * *

AMERICAN DOLLAR MARKET

Gold importers withdrew last week from the buying lines which, for several weeks past, they almost monopolised and quite a few turned sellers of previously acquired funds in New York. Such development could not but cause the rate to drop and rule weak throughout the last few days. For some time to come there will be an easy tendency on the local market which should only change if and when gold imports into Macao become profitable once again, and Chinese flight capitalists come into the local unofficial exchange market with stronger demand for TT New York.

Inward remittances, mostly from overseas Chinese in the US, have been arriving here in better than usual volume which supported the low price trend here. Merchant demand remains insignificant compared to gold importers. Requirements for TT New York coming from Shanghai are offset, often over-balanced, by supply coming here from Shanghai and other output cities' resources.

Highest and lowest rates (per US\$ 100) last week:—notes HK\$ 574—560, drafts 576—563, TT 580—573, corresponding to cross rates of US\$ 2.75 and 2.79. Sporadic transactions done in New York's free sterling market were about the same as here (Pound notes selling in New York on the average US\$ 2.50 and security sterling between US\$ 2.10—2.20).

Turnover reported in the local native banks' market was higher than during preceding weeks, mostly a consequence of gold importers' offerings of funds in the US. A total of US\$ 1,154,000 TT New York, US\$ 280,000 drafts (payable in US), and US\$ 154,000 bank notes changed hands during the week April 12-17. Among the largest buyers of TT were last week the gold brokerage firm of C. S. Ling & Co. (which operates partly with funds from foreign sources) and 2 or 3 other bullion brokers. Conspicuous sellers were the native banks of Hang Seng, Shun Hong, Wing Loong, Hang Loong, Wing Tai, Dah Sun who were responsible for sales of about US\$ 1 million. Small operators in last week's market were the native banks of Wing Hang, Sing Kee, Dao Heng, Hang Tai, Kwong Shun and Kwong On.

GOLD BULLION TRANSACTIONS

Highest and lowest rates last week, per tael, were: HK\$344½—327, with cross rates, per troy ounce, of US\$ 49, high, and 47½, low. Under such price conditions it is small wonder that gold traders were disillusioned and many

importers cancelled orders placed with their correspondents abroad. The cause of the current slump here is, as almost always, the decline in demand in China where periodically resources are exhausted or interest by investors and speculators in leading Chinese cities turns to other counters. But for Hankow demand, which was dominating last week's Canton market, local sales to South China might have been still less.

All gold markets in China quoted about the same rates as Hongkong, and if one considers the large "percentages" required by political groups and the ordinary transportation enterprises for shipping gold from here (or directly from Macao) to China it is obvious that business last week was carried on without profits made by dealers.

The local market transacted on the spot market 19,990 taels inside the Exchange and 25,520 taels outside the Exchange, while 143,200 taels changed hands on the forward market for actual delivery and 558,940 taels were sold for margin clearing ("paper" bars).

Canton's unofficial gold market quoted, in Hongkong dollar, 332, low, and 341, high, closing at 340. Shanghai quoted, in CN\$ millions per ounce, from 33 to 36, closing at 34½, equalling about HK\$ 345 per tael.

Estimated imports from Macao were during the week 25,000 taels and exports to China less than 24,000 taels. The stock position remains rather disturbing as arrivals, by flying boat, in Macao continue although at a much reduced rate; between the two Colonies some 250,000 to 300,000 taels are currently held which can only be slowly disposed of barring an unforeseen increase in China's gold appetite.

The largest importer of gold bullion remains the Hang Seng Bank while "paper" bar transactions were, during last week, mainly carried on by the native banks of Wing Loong, Hang Seng, Wing Tai, Hang Loong whose buying stimulated smaller operators; the rather large spot gold turnover was largely a consequence of this strong activity on the speculative forward market.

Gold importers were looking for some sources of cheap supply but it seems that US\$ 41½ to 42 per oz., fob foreign port, will have to be regarded as the basis for a long time to come. At such rates there is ample gold waiting for export in various European and South American countries. At some future date the Bank of England may resume gold exports of 22 carat sheets, bangles etc. as stocks in London, from new mining, are accumulating.

A Market Report

There were several important factors which influenced the market during the past week, writes Mr. R. J. R. Elias, a bullion and sharebroker of Hongkong. On Monday a U.P. cable from Paris concerning the possibility of revaluation of European currencies

caused the market to advance temporarily. On Tuesday a Reuter cable from Paris announced that Sterling was quoted on the free market above the official rate, which caused the market to decline slightly. On Wednesday the upward trend started in earnest on the strength of rumours that supplies of gold from abroad were unobtainable. Holland which had been a source of supply for a considerable quantity of gold arriving in Macao, in recent months, had ceased to be a source of supply. The only supplies available were from Latin American countries, and some other sources which had very little to offer. Supplies of gold from abroad were undoubtedly extremely difficult to obtain. On Thursday the Bull movement was further strengthened by a Reuter cable confirming the difficulty of obtaining gold supplies, and forecasting a higher price for gold on the world free markets. On Friday news of the tense situation in Berlin again stimulated the market and was responsible for the extremely bullish sentiment which caused the market to reach 345 during the morning session. However on Friday afternoon and Saturday morning, even though a certain amount of buying was still in evidence, the demand was insufficient to hold the market. Profit taking, and scattered selling caused the market to decline almost ten points to close at 337½ on Saturday morning.

Though the devaluation scare has passed and the demand for gold from Shanghai and Canton has been negligible during the past few days public sentiment during the past week has been decidedly Bullish. This Bullish sentiment and the difficulty of obtaining fresh supplies of gold from abroad have over-shadowed the large stocks of gold at present in Hongkong and Macao, amounting to approximately Taels 300,000, as well as the daily interest in favour of the Shorts. One of the most important factors in determining the future trend of the market will be the situation regarding the supply and export of gold from abroad to Macao. If the supply that has been available during the past month or so, again becomes available, it is reasonable to suppose that the demand will not be sufficient to boost prices above the present levels.

SILVER BUSINESS

Although the take-off remains small and exports are few and far between there is now more interest on part of Canton and Swatow brokers to ship their hoards into Hongkong. However, the ideas of exporters and silver dealers in the local and Canton native markets differ too much which has brought about the present state of torpor in this market. As silver exporters have to sell to Exchange control 25% of their proceeds at the official rate, retaining for free disposal 75%, exports to New York—still the only market for silver at the moment—elected at current high local prices would only result in losses.

Last week witnessed the highest silver prices recorded here with HK\$

4.30 quoted per tael (37,799 grams), 2.77 per silver dollar, and 2.10 per 20 cents coin. Turnover was reported in the bullion market as \$3,800 taels for the whole week, and \$69,000 worth of 20 cents, and \$10,000 worth of silver dollar coins sold. Private enquiries for dollar coins made at silver dealers usually unearth only very small quantities. There is a small market operating in silver coins of any description usually for the benefit of collectors where prices of course are ruled by the rarity of coins offered and their numismatic importance.

DIAMOND TRADING

In line with Hongkong Exchange Control order to diamond importers to sell to the Control (through appointed banks) the import value of stones, irrespective of country of origin, the equivalent amount in US\$, the Exchange Controller in Singapore has now issued similar regulations which should obviate any possible circumvention of the Hongkong order by dealers operating through Singapore.

As during the last two weeks the difference between the official and unofficial US dollar rate has declined to about 40 to 42%, the price of diamonds newly to be imported should only be higher some 40% compared to January levels. However, local stocks are substantial which fact has induced dealers and jewellers to quote prices only slightly higher than at the beginning of this year. Business has been brisk during recent weeks with customers from Shanghai much in evidence.

BANK NOTE MARKETS

Piastres remain in the background, business lacking in any real incentive. Total sales on the cash market last week 4.3 million piastres or HK\$ 399,000, forward sales totalled HK\$303,000. Spot notes sold between HK\$11¼ to 11½ per 100 piastres while "Ideo" notes (withdrawn from circulation) fetched from \$9 to 9½. The reason for this unusually high price for Ideo notes was described in an A.P. message from Indonesia as follows: Many Chinese are turning a neat profit by dealing in 100-piastre notes printed during the Japanese occupation and outlawed last year by the French. The Chinese buy the notes for only 67 of the French-backed piastres. But in zones controlled by the Viet Minh guerillas fighting the French—zones where much rice is grown—the Japanese-sponsored notes still bring their face value. The Chinese use them to buy rice. The guerillas in turn, when they

get hold of the notes, pass them on to China, where many of them are still in circulation. There they use them to pay for arms smuggled back for use against the French.

Nica guilders remained in strong demand, topping \$53 per 100 guilders but profit-taking brought the rate to around \$45 which is in tune with the current rate paid for guilders in Singapore. Increasing Indonesian exports have caused the strong rate which only 2 week ago was hovering around \$33.

CHINESE MONEY MARKET

Highest and lowest rates last week in HK\$ per CN\$1 million were as follows: Spot notes 10¼ — 8½; forward notes 10½ — 8¼; TT Shanghai 9 — 8; TT Canton 10½ — 8. Transactions on the spot market comprised 46½ billion, on the forward market 21.8 billion; TT Shanghai 1,225 billion and TT Canton 224 billion.

The most active banks in the TT Shanghai market during the week were, of the Cantonese group:—Kwong Shun, Dao Hang, Cheong Kee, Wing Tai, Kwong On, Wing Loong, Fat Cheong, Chiu Tai, Wing Hang, Ying Shun, Wing Ming; and of the Chiu-chow group:—Shing Kee, Man Cheong, Shing Hang, Lee Hang, Man Lee. The most active banks in the TT Canton market during last week were:—Kwong On and Hang Loong, while the native banks of Kwong Shun, Wing Loong, Foo Kee, Cheong Kee, Ngao Kee, Tung Tak and Hang Tai conducted smaller business.

In Shanghai demand for US\$ notes was very insistent, highest and lowest rates respectively CN\$645,000 and CN\$ 615,000, while HK\$ highest and lowest were CN\$120,000 and CN\$112,000. US\$ drafts and particularly traveller cheques sold at a premium of about 10%.

In Canton HK\$ highest and lowest CN\$129,000 and CN\$95,000. The influx of Chinese money into Canton was more than the market could absorb; Canton was swamped with freshly printed notes, all arriving from Shanghai. The notes brought to Canton are usually packed in boxes with seals fixed on them which are not broken by the Finance Control Bureau in Canton but go directly to the consignees (merchants, banks).

Week-end rates in Far Eastern ports:—

Swatow. Gold per oz.—CN\$39.1/39 million; TT Hong Kong — 115,000; TT Shanghai — 94.

Amoy. Gold per oz.—37/36.5 million. TT Hong Kong — 106,000. TT Shanghai — 88.

Bangkok. Gold — 530 baht per 15 grams. TT Hong Kong — 373 baht; US\$ — 21.25 Straits \$ — 6.92 baht.

Singapore. Gold per tael — Straits \$ 188 buying and 193 selling. Straits \$ 53.56 for HK\$100.

HARD CURRENCIES IN HONG-KONG

During the last month Belgian franc allocations by exchange control have become very scarce and the demand by merchants, especially for materials used by the shipbuilding and housing construction industries, has been very insistent. Out of the many applications submitted to the Financial Secretary for Belgian exchange covering the import of metal plates on behalf of local shipbuilders, only one local importer was so far successful. This is one of the first cases being approved since the suspension of Belgian exchange. The price of these metal plates is £50 per ton C.I.F. Hong Kong, equivalent to about HK\$52 per picul whereas the present market price is HK\$65 to \$70 per picul.

The South African pound has, to all intents and purposes, become a hard currency since the Union introduced, about a month ago, restrictions on inward and outward remittances and, therefore, Hongkong importers of South African goods find it very difficult to secure pounds in Capetown. Several groups of importers, notably diamond dealers, are attempting to link Hongkong exports to the Union with their own exchange requirements, but the balance of trade has been, and promises to remain, much in favour of the Union of South Africa. It is not unlikely therefore that the South African pound may be quoted soon on the local unofficial market at a premium over the official rate.

EXPORT LOANS IN CANTON

The "Export Loan Committee" sponsored by 10 of the 12 appointed banks in Canton to give financial assistance to exporters was officially inaugurated there last week and have started accepting applications from exporters for short term loans.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

	Gold per Tael		CN\$ (per one million)				S'hai Canton		Notes	US (per 100)		Guilder	Baht	Pound	
April	High	Low	Spot	Forward		T.T.	T.T.	Draft		T.T.	I.C.\$				
12	334 ³ / ₄	329 ³ / ₄	11	10 ³ / ₄	10 ¹ / ₂	10 ¹ / ₄	9	10 ¹ / ₄	570	570	579	11 ¹ / ₂	49	26	13
13	331 ³ / ₄	327	10 ¹ / ₄	9 ¹ / ₂	9 ³ / ₄	9 ¹ / ₂	8 ³ / ₄	9 ¹ / ₂	561	570	573	11 ¹ / ₂	53	25 ³ / ₄	13
14	339	328 ³ / ₄	9 ³ / ₄	9 ¹ / ₂	9 ³ / ₄	9 ³ / ₄	8 ³ / ₄	9 ¹ / ₂	565	568	575	11 ¹ / ₂	48	26	13.1
15	340	335	9 ³ / ₄	9 ³ / ₄	10	9 ³ / ₄	8 ³ / ₄	9 ¹ / ₂	566	571	574	11 ¹ / ₄	46	25 ¹ / ₂	13.1
16	344 ¹ / ₂	337 ¹ / ₄	9 ³ / ₄	9 ¹ / ₄	9 ¹ / ₂	9 ¹ / ₂	8 ¹ / ₂	8 ³ / ₄	573	576	577	11 ¹ / ₄	41	25 ³ / ₄	13.1
17	340 ¹ / ₂	337 ³ / ₄	9	8 ³ / ₄	8 ¹ / ₂	8 ¹ / ₂	8 ¹ / ₄	8 ¹ / ₄	569	573	576	11 ¹ / ₄	45	25 ¹ / ₂	13

HONGKONG STOCK & SHARE MARKET

During the week ending April 16th the market's pattern was similar in all respects to that of the preceding week, drifting listlessly in contracting volume. Conditions were therefore dull, and, business, more or less, restricted to investment accumulations. Transactions reported totalled 64,610 shares of an approximate value of \$2 millions.

The Committee of the Stock Exchange Ltd. described conditions as follows:—The past week has been one of the quietest on record for a long period. It opened with the appearance that buyers were about to add to their investment portfolios, and was mainly selective. Buyers adopting a firm attitude when bargaining. Sellers on their part showed no disposition to sell at sacrifice rates. Enquiries then faded and the amount of business reported has been small in volume. Quotations at the close in most cases show only minor differences to those at the opening this week.

The Felix Ellis price index portrays the market's action during the period. It showed a sagging tendency, and ended in reaching a new low, 143.56, for the year. Day-by-day his averages were: Apr. 12, 144.28; Apr. 13, 144.16; Apr. 14, 144.14; Apr. 15, 143.83; Apr. 16, 143.56. The high for 1948 was 148.68 on February 12, while the high and low for 1947 were 155.82 and 123.88 respectively.

Without definite indications it is not possible at this juncture to forecast when an improvement will set in. An aggravating factor in the present trend is ascribed to a keen disappointment in the distribution declared by the Board of the H.K. Land Investment Co. for the year 1947. It is felt that the policy of salting away all profits realised from sale of property is unwarrantable. Perhaps there would have been no disappointment at all if even a small bonus of say \$1 per share had been declared; it would have absorbed less than \$300,000 out of a net profit of \$3,398,102 realised from the sale of property in 1947.

However, there are more factors that will stimulate the buying of shares this year than otherwise. In short there are more bullish than bearish

The establishment of the Committee was made possible after protracted negotiations with the Central Bank of China for an agreement under which the State bank is to grant loans to the Committee for supporting its scheme of export promotion.

The scheme and regulations of the Committee under which loans are to be granted to exporters were published by this Review on March 31 (page 302).

factors. The main one is the improved working results expected of many companies during the current year, notably, China Light, H.K. Tramways, Dairy Farm, Watson, Green Island Cement, China Provident, H.K. Docks, Humphreys, H.K. Lands, etc.

The action forecasted in Sir Stafford Cripps' reply to a question in the House regarding Hongkong's Gold market and "Black" market exchange will probably provide another bullish factor for the stock market. It is believed in responsible quarters that action, if any, will be in the direction of a complete stoppage of leakages of US\$ exchange which the Government and the community are in dire need of and for which this Colony provides a constant flow. Should this occur further imports of gold directly or indirectly to Hongkong will cease automatically, because all purchases call for payment in US currency in New York, and large sums of money now tied up in the precious metal will be gradually released.

Recurrence of devaluation rumours from time to time are likely to stimulate investment in shares. In this regard the deteriorating European economic situation should be considered. The recent Franco-British economic talks in Paris revealed that it is not impossible that vital decisions in this connection will be made in the economic conference to be held within the next month of all countries affected. And one of the stipulations of the Marshall Aid is that the countries coming within its purview will take steps to bring about a stabilization of their currencies, and that none of the money given under the plan may be used towards bolstering of currencies. This stipulation foreshadows currency revaluations which might occur sooner than expected.

Company Reports.

After providing for depreciation etc. and the sum of \$999,000 for dividend, an increase of \$279,000 over the previous year. The Accounts H.K. WHARF & GODOWN Co. show a net improvement of \$6,116,778. Against this there was \$6,872,150 received from the new issue during 1947. All outstanding loans were liquidated which should benefit the current year's working by the large sum saved from interest payments.

Dividends.

The CANTON INSURANCE Co. has declared a dividend of \$12 for account of 1946, in respect of which year an interim dividend had previously been paid.

Business Done.

GOVERNMENT LOANS:—4% @ 101; 3½% 1948 @ 101.

BANKS:—H.K. BANK @ 2030, 2040, 2035, 2040; BANK of EAST ASIA @ 140.

INSURANCES:—UNIONS @ 790; CANTON @ 400 & H.K. FIRE @ 300.

DOCKS & GODOWNS:—WHARFS 170 cum div. and 155 ex div; H.K. DOCKS @ 30½, 30; S'HA1 DOCKS @ 25½; CHINA PROVIDENT @ 22½, 23, 22¼, 21¼, 21½.

MINING:—RAUBS @ 6¼.

HOTEL & LANDS:—H.K. HOTEL. @ 18, 18.15, 18; H.K. LANDS @ 82, 83, 82, 82½, 83; S'HA1 LAND @ 5½.

UTILITIES:—H.K. TRAM @ 22¼, 22½, 22¼; YAUMATI FERRY @ 51; CHINA LIGHT @ 24, 24.15, 24.30, 24.15, 24, and new @ 19¼, 19.35, 19¼, 19.15; 19; ELECTRIC @ 50½, 50, 50½, 50, 49¾; TELEPHONE old @ 44, 43.

INDUSTRIALS:—CEMENT @ 42¼, 41, 41¼, 41, 40½; ROPES @ 20½; DAIRY FARM @ 54¼, 54; WATSON @ 50¼, 50½, 50, 51, and Rights @ 26.60, 26.50, 26.35, 26, 26.30.

STORES: CALDBECK @ 21½; SIN-CERE @ 8.90 KWONG SANG HONG @ 203.

MISCELLANEOUS:—H. K. CONSTRUCTION old @ 6¼.

COTTONS:—EWOS @ 20, 19¾, 20, 20½, 20¼, 20, 20¾.

RUBBERS:—SEMAGAGA @ 1.20.

ELECTRICAL PLANT AND EQUIPMENT AVAILABLE FROM JAPAN BY REPARATION AND RESTITUTION DELEGATION

A large quantity of electrical plant and equipment covering a wide range of generators, transformers, converters and sub-station plant etc., is available in Japan for allocation to industry.

Distribution of this plant and equipment is intended primarily for assisting industrial rehabilitation and is confined to those areas which suffered losses of similar material as a result of the war with Japan.

An inventory of this plant and equipment is available for inspection at the Department of Supplies, Trade and Industry, and intending purchasers are invited to inspect this inventory and make bids for any item in which they are interested.

Prices will be fixed by price committee and will be based on the present second-hand value of the plant. The proceeds of any sale will be credited to a common reparation pool.

The requirements of this Colony will be considered in Japan in conjunction with competing bids from other territories, and in order that any bids may be put forward from Hong Kong at the earliest possible date, the closing day for bids has been fixed for the 24th April, 1948.

Bids should be submitted to the Director, Supplies, Trade and Industry, who will supply any further information required.

INDUSTRY & LABOUR

REPORT ON HONGKONG FOR 1947 BY THE GOVERNMENT OF HONGKONG

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I.

INDUSTRIAL PRODUCTION

Local industry includes ship-building, ship repairing, engineering and a wide range of light industries, the main products of which are textiles, rubber goods, buttons, leather goods, cigarettes, matches, preserved ginger and confectionery, tinned goods, glassware and paint. The majority of Hong Kong's working population is engaged in occupations connected with commerce rather than production but enterprise and capital are not lacking, when an economic demand arises which can be satisfied by the expansion of local industry. The cost of all Hong Kong's products, both primary and industrial, has risen considerably as a result of the high post-war cost of living; the effect of this development cannot yet be assessed.

Engineering and ship-building are, with one or two minor exceptions, the only heavy industries, and the bulk of the Colony's production is in the light industry field. It is almost entirely in Chinese hands, most of the factories being Chinese-owned and managed.

The outbreak of war with Germany had a stimulating effect on the Colony's industries particularly in the larger dockyards and in those local factories which were able to undertake the manufacture of war equipment. During the war against Japan, industrial activity was brought virtually to a standstill. By the end of 1946, the recovery of productive capacity had reached some 20-50% of pre-war levels although certain industries had not been so fortunate (for example, the important sugar-refining industry whose plant was a total loss), while others, such as paint manufacture, were experiencing a boom.

Progress in 1947.

During 1947, a general improvement continued but industry was still handicapped by loss of equipment, lack of raw materials, the high cost of raw materials, fuel and electricity power, and the very high cost of labour. Variations in production have been considerable, particularly in the textile, rubber shoe, electric hand torch, battery and bulb industries. Apart from the irregularity of supplies of raw materials, these variations are attributed to such factors as restrictions on the import of certain goods into China, devaluation of Chinese currency, foreign competition and political disturbances in Siam, French Indo-China and the Netherlands East Indies.

In spite of these difficulties, progress was made. New factory-type premises

are being built, old plant is being re-conditioned and a number of firms have installed new machinery. Although delivery of new equipment from abroad was still subject to delays and none of the expected reparations from Japan have materialised, much was done locally to improvise the repair and re-assembly of equipment. Plant was brought in from Shanghai and machinery of certain types was manufactured by local foundries. Many raw materials continued to be scarce throughout the world and while the cost of local materials tended to decline imported materials showed a tendency to increase in price.

Labour costs remained high both in relation to costs prevailing before the war and to the current cost of labour in other manufacturing centres, but a substantial improvement in the efficiency of labour in some spheres—notably stevedoring—was observed.

It is difficult to estimate with any accuracy the increase in industrial activity, but during the year under review the number of registered factories increased from 418 to 883. There were certain new developments in industry, such as cotton spinning, the manufacture of aluminium and plastic household wares, and fur processing for hat and glove-making, and considerable interest was evinced in Shanghai in the possibilities of Hong Kong as an alternative industrial area in spite of certain comparative disadvantages such as the limited water supply, the scarcity of suitable sites, and the existence of more stringent labour regulations.

COTTON TEXTILE INDUSTRY.

Before the war, more persons were employed in the textile industry than in any other single industry in Hong Kong. There were 150 factories engaged in cotton weaving and 450 in knitting, employing 25,000 and 15,000 workers respectively. During 1946, the industry did its best to re-establish itself, in spite of deterioration of machinery and a severe shortage of yarn which was available only from limited stocks found in the Colony and supplies from China purchased at very high prices. By the end of the war, there were over 90 weaving factories in operation but practically no knitting factories. During 1947, supplies of yarn improved considerably, although they were never easy. Fairly large quantities were available from Japan, but only against payment in U.S. dollars, while a certain amount could be purchased from China on a Government to Government basis at prices rather higher than the world level. Small quantities of higher count yarns also became available from the United

Kingdom in the second half of the year.

During the first nine months of 1947, production did not expand rapidly, partly because of the relatively high cost of yarn and partly because of competition from Japanese textiles, large quantities of which were suddenly released throughout South-East Asia. The industry was using only about 1,000,000 lbs. of yarn per month during this period and no shortage was felt. In the last quarter of the year, the position altered and, with prices rising elsewhere in the world and local costs declining, the industry received a considerable impetus. A further factor which helped to boost the industry was the stipulation of the authorities in Japan that textiles from that country could only be bought in exchange for U.S. dollars: the consequence was that exports from Japan practically ceased. With production rising, a shortage of yarn began to make itself felt and it is possible that had yarn been available in greater supplies, production would have risen even further than it did. At the end of the year, stocks on hand were negligible and future supplies were a matter of considerable concern. There is a tendency in the industry to regard the present situation as a golden opportunity which it is missing simply because of the shortage of yarn, and a failure to realise that the opportunity is largely just another facet of the world-wide shortage of textiles. During the year, the industry consumed 20,000,000 lbs. of yarn which is the equivalent of about 80 million yards of cloth.

In the earlier part of the year, exports of textiles and knitwear were largely to territories in South East Asia, with Malaya, Siam and the Netherlands East Indies as the largest purchasers. But later, former markets elsewhere began to be reached again and there was a substantial movement of exports to South, East and West Africa as well as to new markets, notably in the Middle East. Towards the end of the year, the United Kingdom agreed to issue import licences for token quantities of knitwear from Hong Kong.

The textile industry in Hong Kong has been handicapped in the last two years by having to rely entirely on imported yarn. There is no shortage of raw cotton in the world and with a properly integrated industry, including spinning mills, much better use could have been made of the opportunities offered by present conditions.

Manufacturers are beginning to realise the truth of this, and recently two cotton spinning mills, operating

7,500 spindles each, have been established and are about to go into production. Plans have been laid for the construction of two further mills of 15,000 and 25,000 spindles capacity respectively and there are indications that other cotton milling concerns, to bring the total capacity of the Colony to 100,000 spindles, are preparing to go into operation. Lack of suitable sites, shortage of water and the scarcity of skilled labour are among the difficulties to be overcome. To cope with the last of these problems it is proposed to import a nucleus of skilled workers from Shanghai and to train local labour for the work. It is too early to pre-judge the success of these ventures, but if they are successful they will do much to put the textile industry on a sounder basis.

RUBBER SHOE INDUSTRY.

This industry has had a fairly quiet year with a few bright moments such as the purchase by the Chinese Government of several million pairs of rubber shoes for the Chinese Army, and the agreement of the United Kingdom to import about 2 million pairs early in 1948. Production varies from about 30 per cent of pre-war capacity in some of the smaller factories, to 80 per cent in the larger ones. Two of the biggest concerns have not yet resumed production. There has been a fairly steady but limited market in local territories, but a particularly lucrative export market in the Philippines was closed towards the end of the year by the imposition of penal import duties there. In most of its old markets in Africa, the industry is feeling the competition of manufacturers in Europe and South Africa as prices are still comparatively high. The speculative element which was in evidence in the industry during 1946 has now largely disappeared.

THE DOCKYARDS.

In spite of a continued shortage of raw materials, the dockyards have been very busy during 1947 and over 4,000 vessels have been handled for minor or major repairs. Among the latter were the conversion from war service of two Dutch luxury liners, the m.v. "Ruys" and the m.v. "Bois-sevain." Much of the valuable equipment removed by the Japanese has still not been replaced and none of the Japanese equipment which it was hoped might be received as reparations has yet been forthcoming. Although repair costs remained high many shipping companies found it more economical to have repairs or overhauls carried out in Hong Kong because the speed with which the work was accomplished saved time which more than compensated for the extra cost. Repair work was estimated to have reached 95 per cent of its pre-war output, but little new building has been done because of the shortage of steel, and in this respect ship-yards only achieved 5 per cent of pre-war

capacity. The largest vessel launched locally during the year was a water-boat for the harbour.

PRESERVED GINGER.

The chief difficulty with which this industry has had to contend is that the product is still regarded as a luxury so that although plant and equipment has been to a great extent rehabilitated, the production remains only at about 25 per cent of pre-war capacity. During the year, costs were substantially reduced, and the Ministry of Food agreed to permit the importation into the United Kingdom of 2,000 tons of ginger, as compared with 300 tons in 1946. Before the war, the normal quantity shipped was 3,000 tons. Interest is awakening in other markets, although one of the industry's principal subsidiary markets, Australia, is still closed.

TOBACCO & MATCH INDUSTRIES.

Both these industries have fully re-established themselves but, in the case of the match industry, after the initial post-war boom, severe competition was met in 1947 throughout the world. This competition was felt even in the local market and the factories have only been able to keep their markets in South East Asia by notable reduction in costs combined with a vigorous sales policy and constant improvement in the finished product. Costs of production have risen by 130 per cent since 1941, prices by only 42 per cent.

PAINT MANUFACTURE.

The boom in paint manufacture which began in 1946 has continued throughout the year under review. Production has not only recovered from the effects of the war but is now greatly in excess of any former standard. Large quantities have been sold locally and many orders for export have also been fulfilled.

CEMENT.

Production of cement was not resumed to any great extent until 1947, largely because of the ample supplies of imported stocks, but it has now reached approximately 50 per cent of its former capacity: limiting features in this industry are the high cost of limestone and the transport charges from China.

ROPE WORKS.

The Hong Kong Rope Manufacturing Co., Ltd., was established in 1883 and has since that time supplied the Admiralty and all leading shipping companies in the Far East with all grades of rope up to qualities specified by Admiralty requirements and with breaking strains equal to British Standard Specification and above. Other ropes of special construction up to a circumference of 16" have also been manufactured. Before the war, when over 200 hands were employed, the monthly output averaged

over 600,000 lbs. During the Japanese occupation the factory and plant suffered severely from under-maintenance although it remained almost intact. At present the company is working at about half capacity, but this could be increased when the plant is fully rehabilitated if more settled conditions prevailed in China and other Far Eastern markets.

OTHER INDUSTRIES

Among the other industries which prospered during the year were food canning, rubber goods, hurricane lanterns (where a new process has been evolved) light metal wares, thermos flasks, hats and rattan ware. The button-making industry declined owing to competition from the U.S.A. and Italy, both of which are exporting plastic and bone buttons to East and West Africa. Flashlight production was well maintained, in spite of continued difficulties over supplies, and Hong Kong manufactured flashlights compare well with those manufactured anywhere else in the world. The associated industries, manufacture of torch batteries and bulbs, were less successful because of the uncertainty of the quality of the product. Foundries prospered owing to the difficulty of obtaining finished metal products from abroad and the extensive needs of the rehabilitation programme. It is significant in this connection that the local consumption of coke was 500 tons per month compared with an average of 100 tons before the war.

On the whole, while there has been an improvement in industry in Hong Kong, the general level is not more and possibly much less than 50 per cent of pre-war capacity. A good foundation is being laid, but with the uncertain trend of costs and of world markets, the future remains obscure. There is justification for modified optimism.

* * * *

II

INDUSTRIAL LABOUR

Apart from fishing and farming, the major part of Hong Kong's population is engaged in commercial pursuits, and in employments such as stevedoring, shipbuilding and repairing etc., ancillary to the Colony's position as a great port and entrepot for South China.

With a constantly fluctuating population it is difficult to estimate (except in shipbuilding where the numbers employed are approximately 16,900) the numbers employed in individual trades. It is possible, however, to give an approximate figure for the numbers employed in the three main groups of industrial undertakings. From returns submitted by the managements concerned, it is reckoned that in the

engineering (including shipbuilding) metal and chemical industries approximately 24,000 persons are engaged; in public utility companies nearly 3,000; and in other manufacturing industries, 31,500. These figures represent a substantial increase during the year of the numbers employed in local industrial undertakings. This is in the main due to the further rehabilitation of factories previously existing, and to the setting up of a number of new factories by employers from Shanghai and Canton. There is every likelihood that this increase of employment in industry will be still further expanded in the near future with the establishment in Hong Kong of several new industries.

WOMEN AND YOUNG PERSONS IN INDUSTRY.

A fair proportion of the workers engaged in Hong Kong's light industries are women, and recent investigations have enabled some assessment to be made of the conditions under which they are employed. Approximately 15,000 to 20,000 women and girls are more or less regularly employed in seventy different industries in Hong Kong. In addition fairly large numbers are employed as unskilled manual workers in the building trade and as earth carriers, etc. for road building. Of the numbers employed in industry, well over a third work in the weaving and in the knitted piece goods factories. Rather less than a third are employed in the metalware, electric torch, torch battery and rubber shoe industries combined. It is difficult to obtain exact employment figures as the majority of female labour is on either a daily or a piece rate basis, and the numbers employed vary from day to day according to the state of business in individual trades. Most of the factory work is light, and, with a few exceptions, semi-skilled.

Wages and hours of work vary considerably in different industries. Only a few factories, and those generally European-owned, have an 8-hour day and a 6 or 5½ day week. The great majority of Chinese concerns have either a 9 or a 10-hour day and a 7-day week. In some cases, if business is good, work may continue for 11 hours. These hours are, of course, much too long, but efforts to improve them by negotiation have been to a certain extent frustrated by the attitude of the women themselves, who prefer the extra money they can earn to any additional leisure.

Such a position is unsatisfactory, and surveys are being conducted with a view to ascertaining whether or not measures may be undertaken to secure better conditions in certain industries through the medium of trade boards, for the institution of which there is already legislative provision. The women and girls employed in local factories are of all types and ages,

including almost as many married women as single. Most of the married women work from economic necessity. There is no upper limit to the age at which women may continue to work; many of the older ones find casual employment in the weaving industry. The enforcement of the lower age limit (which at present is 14 years for young persons of both sexes) is rendered the more difficult by the disparity between Chinese and European methods of reckoning the age of a child. In consequence cases have been brought to light by factory inspectors in which children are employed below the minimum age prescribed by law, whilst in other cases young persons who by virtue of their youth should be employed only within the restricted times laid down by regulation, are found to be employed for the whole of the working day. There are at present some three hundred young persons between the ages of 14 and 18 years registered with the Labour Office; details of wages, hours of work, and in some instances, family circumstances, are recorded in these cases. Many more are still to be registered.

The inspection work in connection with juveniles entails personal visits to individual factories. These visits, in most cases have to be repeated frequently owing to the very casual nature of the employment particularly in the case of girls. It will consequently be some time before a comprehensive list can be compiled.

Little exists at present in the way of social amenities or welfare benefits for women in industrial employment. A few factories provide medical facilities for all their workers, and some of the guilds, with the assistance of the Education Department, have been able to provide additional schools for a small percentage of their members. Practically nothing, however, is done by managements to provide social or maternity benefits. A limited period of maternity leave is usually granted, but the worker is often required to find a substitute during her absence. Canteen and cloakroom facilities are non-existent or inadequate—largely because most of the factories are very small concerns employing less than 25 persons, and the expense involved in providing these facilities would usually be too great for a small proprietor. Further, the present acute shortage of accommodation of all kinds in the Colony and the high cost of building and shortage of materials are obstacles to additional construction. In some cases attempts to provide canteen meals at low prices have failed owing to the conservatism of the workers who still prefer to patronize hawkers' stalls.

THE LABOUR OFFICE AND ITS WORK.

The department which is principally concerned with the working conditions in industry in the Colony is the Labour Office, which in 1946 was re-

constituted as an independent unit, separate from the Secretariat for Chinese Affairs to which it had previously been linked. In September, 1947, the title of Labour Officer was changed to that of Commissioner of Labour. During the year the senior staff was further implemented by the appointment of a European Labour Officer with United Kingdom trade union experience and training. The staff of the Labour Office is now as follows:—Commissioner of Labour; a Deputy Commissioner of Labour, two European Labour Officers; a European Woman Labour Officer; a Chinese Assistant Labour Officer; a Chief Labour Inspector; two Inspectors; two Chinese Women Labour Inspectors; six clerks; a stenotypist and the usual complement of office messengers, etc.

Questions of administrative policy and labour legislation are dealt with by the Commissioner and the Deputy Commissioner. One of the Labour Officers together with the Chinese Assistant is primarily concerned with conciliation. The other Labour Officers are concerned with the conditions of employment of women and young persons and with trade union matters respectively. All senior officers, however, are compelled by circumstances to undertake a considerable amount of conciliation work in addition to their other duties.

The Chief Labour Inspector deals mainly with the registration of factories and with matters of administration in connection therewith, whilst the remainder of his staff is fully occupied with day to day visits of inspection to the large number of industrial concerns on both sides of the harbour. Although the department has undergone considerable expansion since its institution a few years ago, additional staff will be required in the comparatively near future in order to keep pace with the continually expanding administrative and legislative labour field. During the year an additional 517 factories and workshops were registered, bringing the total since the re-occupation of the Colony to 883. The number in actual operation, however, is considerably greater, since, of the 1297 factories and workshops which have applied for registration since the end of the war, only 112 have ceased operation. These latter were nearly all small concerns employing on an average only about 20 persons each, whose capital proved inadequate to weather the fluctuations which have affected production in a number of industries. The proprietors of these small concerns have usually been skilled workers who were themselves employed before the war in various local industries.

Employment in factories and workshops generally has not been steady, owing to irregular operation, but according to such information as is available the total expected to be employed

is approximately 60,000 (males 38,368; Females 20,699). This is double the 1946 figure and two thirds of that of 1941.

COST OF LIVING.

There has been little material change during 1947 in the cost of living for the wage-earning classes. The cost of staple commodities, in particular that of rice, which had shown a tendency to fall during the last few months of 1946, rose slightly during the latter part of January and in early February, 1947. The slight increase in the cost of living level in 1947 was partly attributable to the progressive decline in the value of the Chinese National Dollar. A more serious factor was the continued housing shortage. Although rebuilding has made some progress, there are still many bomb-damaged or looted areas which have not yet been rehabilitated. The pressure in the remaining housing space is, in consequence, severe, and rents are many times higher than before the war in spite of legislation designed to prevent undue increases. The exaction of high premiums, though illegal, is also common. For many of the artisan and clerical workers school fees (and equipment) and clothing are proportionately very much bigger items in family budgets than before the war.

The increase in the wages of workers during the year was reflected to a certain extent in the retail prices of commodities generally. At the end of the year the average retail prices of the staple foodstuffs, etc., of the wage-earning classes, as compared with pre-war and with 1946 levels, were as follows:—

	Pre-War	1946 (end)	1947 (end)
Rice (1st and 2nd grade average) per catty	—	—	\$0.80
Rice (3rd grade) per catty	\$0.07	\$0.84	0.60
Fresh Fish, per catty	0.28	1.65	2.53
Salt Fish, per catty	0.24	1.95	2.73
Beef, per catty	0.35	2.45	2.51
Pork, per catty	0.54	3.25	2.72
Oil, per catty	0.24	2.30	2.52
Firewood	10 cents for one catties	10 cents for one catty	10 cents for one catty

The cost of living for Europeans has risen to a figure which is between two and four times greater than before the war. The main increases are in the cost of food and clothing, domestic servants' wages (which are now approximately five times the pre-war figure) and in rents, light and power, and transport costs, all of which have appreciated considerably.

These rates are based on an 8-hour day for 26 days a month, and include the rehabilitation allowance, which for artisans averages \$3 per day and for male unskilled labour \$2.40 per day.

It is estimated that 28,000 workers are employed on these scales, while approximately 32,000 are employed in Chinese industrial establishments, and 55,000 in miscellaneous occupations such as stevedoring, carrying, etc.

It will be observed from the above tables that there is a wide disparity between pre-war and post-war wages. The upward tendency was continued during 1947. The same trend can be seen by a comparison of the wages of representative transport workers. These were previously paid monthly, but are now, by arrangement, paid on a daily basis. For the purpose of comparison with 1946 and pre-war figures, the following table shows their present average total earnings per month:—

	Pre-War	1946	1947 (end)
Tram Drivers	\$36-\$45	\$154-\$174	\$190-\$227
Bus Drivers	\$27-\$55	\$169-\$184	\$212-\$227
Tram Conductors	\$30-\$39	\$140-\$164	\$172-\$210
Bus Conductors	\$20-\$35	\$139-\$159	\$167-\$183

Owing to the continued shortage of skilled labour many Chinese firms, which do not generally speaking, have as high operating costs as the large European concerns, but at the same time cannot offer the same security of employment, are compelled to pay a comparatively higher scale. For example the following rates for male labour engaged on a time work basis are general:—

1947	Continuous Work	Casual Work
Skilled Tradesmen	\$7-\$14 per day	\$8-\$20 per day
Skilled Workmen	\$5-\$7 " "	\$7-\$12 " "
Semi-Skilled Workmen	\$3-\$5 " "	\$4-\$6 " "

LABOUR ORGANISATION.

In its organisation of labour, Hong Kong, in common with the majority of Far Eastern countries since the war, has been increasingly affected by the quickening tempo of world events. The ancient guild is progressively yielding place to the modern union. There is a re-direction of emphasis and aim. The guild sought to establish a closed monopoly within each craft; to protect trade secrets; to provide for its members a medium for mutual intercourse and instruction; and to furnish benefits for the less fortunate of its members or fellow countrymen. Wages and conditions of work, where not protected by the custom of the craft or fixed by mutual arrangement between members (who might be masters or men) were deemed

These rates have also been applied by the Government for its own labour of similar grades. At the end of the year under review these rates, as compared with pre-war and 1946 scales, were as follows:—

AVERAGE RATES OF WAGES FOR DAILY PAID LABOUR.

Daily Paid (Dockyards, Utility Cos. Government).	Pre-War	1946 (end) (Including Rehabilitation Allowance)	1947 (end)
Skilled Tradesmen	\$0.75-\$1.40	\$5.00-\$6.20	\$6.00-\$8.00
Skilled Workmen	\$0.70-\$1.00	\$4.50-\$5.00	\$5.50-\$7.00
Semi-Skilled Workmen	\$0.60-\$0.75	\$4.20-\$4.50	\$4.60-\$5.80
Unskilled	\$0.40-\$0.60	\$3.20-\$3.60	\$3.50-\$4.00

WAGES.

Wages for Chinese artisans and unskilled labour employed in European-owned industries and in transport concerns are now largely uniform, and have been determined through a number of negotiated agreements.

ed to be matters for individual bargaining between employer and employed. Progressive industrialisation, by bringing together ever larger aggregations of workers, has inevitably led to greater concentration on comparative living conditions, and to the organisations of Industrial Unions as distinct from craft organisations. The guilds retaining most of the old features are confined, in the main, to the small, independent, family type of organisation, restricted to one particular trade.

The Trade Union and Trade Disputes Bill has become law only in 1948. Last year there was no marked difference between trade unions and other forms of association. Most societies, including trade unions, voluntarily notify the Secretary for Chinese Affairs and furnish particulars of their formation. Since the re-occupation of the Colony and up to December, 1947, 147 guilds classified as workers' unions, 106 guilds of employers, 65 craft guilds of workers and employers have given such notification, together with numerous recreational and education clubs and associations.

The year has seen a marked increase in the activities of labour organisation generally, particularly in the sphere of negotiations on questions of wages and working conditions. Many of the unions have shown great willingness to explore every means of settling their disputes round the conference table and have displayed a grasp of the principles of collective bargaining which augurs well for the future. Unfortunately the average working man is not yet prepared to take much interest in union affairs except in moments of crisis and the consequence is that the management of some unions tends to be concentrated in a few persons who do not always exhibit that sense of responsibility which one would expect to find in the holders of executive positions. This is a fault which no doubt time and experience will correct.

The following list gives the names, types and approximate membership of a few of the more important unions:—

	members
Hong Kong Seamen's Union (General Seamen's Union) ..	5,000
Chinese Engineers' Institute (Craft Union) ..	6,000
Hong Kong Tramway Employees Association (Industrial Union) ..	1,400
Motor Drivers' Guild ..	5,000
Taikoo Dockyard Workers' Guild (semi-skilled and unskilled workers) ..	3,824
Naval Dockyard Workers' Guild (semi-skilled and unskilled workers) ..	1,192
Foreign Labour Union (Hotel and Restaurant boys) ..	3,500
Weavers' Guild (Men & Women) ..	2,630
Female Knitters' Association (Women Weavers) ..	900
The Metal Workers Sisters' Association (Women workers in chain & battery making, etc.) ..	160
The Musicians' Union (mainly Filipinos) ..	120
The Rubber Factory Employees' Union (including 840 women) ..	1,200

Industrial Establishments In Hongkong

By the end of March 1948, there were counted in the Colony 1,143 industrial establishments either as registered or as officially inspected pending their registration. The number of registered factories and workshops was 952 as on March 31, of which 711 factories in Kowloon and 241 in Hong Kong. Not yet registered factories: 191.

Another 85 factories and workshops whose applications for registration have already been submitted are now being examined and their factory buildings and machinery are being inspected by Inspectors of the Labour Office.

While the shipbuilding industry employs by far the largest number of hands, the weaving and knitting factories are the most numerous in the Colony. Out of 1,143 registered and inspected factories here there are no less than 185 knitting and 150 weaving mills operating in Hongkong. Next follow the metal ware industry with 85 factories, the engineering works with 71, and the rubber shoes and wares industry with 48 factories.

Following is a detailed list of the Colony's 1,143 industrial establishments and the number of factories in each industrial group:—

INDUSTRY	NUMBER FACTORIES.
Aerated Waters ..	5
Aluminium Wares ..	1
Bakelite Wares ..	5
Battery ..	12
Beer Cud ..	4
Beverages ..	1
Biscuits and Confectionery ..	17
Brick Works ..	5
Building Materials ..	2
Buttons ..	11
Camphor (Oil & Powder) ..	1
Camphor Wood Trunks ..	7
Canned Goods ..	5
Cassia Sorting ..	2
Cement Tiles ..	1
Cement Works ..	1
Chemicals ..	4
Cloth Calendering ..	5
Cold Storage ..	3
Cork (bottles) ..	1
Cotton ..	5
Cotton Mills ..	2
Crackers ..	1
Distillery ..	4
Dyeing ..	11
Dye Stuffs ..	4
Electric Bulbs ..	13
Electric Plating ..	17
Embroidery ..	3
Enamel Wares ..	2
Engineering ..	71
Face Powder ..	1
Feather (cleaning & sorting) ..	5
Fishing Nets ..	1
Foundry ..	18
Flour Mill and Rice Mill ..	22
Fur Processing ..	1
Furniture ..	2
Garage ..	1
Garments and Shirts ..	26
Ginger & Fruits (Preserved) ..	11
Glass ..	20
Glue & Gelatine ..	1
Gourmet Powder ..	3
Grass Mats ..	1
Gunny Bags ..	1
Gypsum Powder ..	1
Handkerchiefs ..	1
Hats ..	11
Hosiery ..	14
Ice ..	5
Ivory Wares ..	1
Joss Sticks ..	2
Kerosene Refinery ..	1
Knitting ..	185
Laundry ..	9
Leather Wares ..	1
Manganese ..	3
Matches ..	4
Meat (dried) ..	2
Medicines ..	12
Metal Wares ..	85
Mirrors ..	7
Mosquito Sticks ..	2
Newspapers ..	7
Needles ..	1
Noodles ..	1
Oil Installation ..	3
Ore Refinery ..	1
Paint ..	8
Paper (dyeing) ..	2
Paper Boxes ..	2
Paper Cards ..	4
Peanut Oil ..	8
Pencils ..	3
Peppermint Oil ..	1
Perfumery ..	7
Plastic Wares ..	1
Polishing Compound (for use in manufacture of metal wares such as hand torches) ..	1
Printing ..	68
Printing Ink ..	1
Public Utilities ..	8
Radio Sets (Repairing & Maintenance) ..	2
Rattan ..	6
Rope Works ..	1
Rubbery Tyre ..	2
Rubber Tyre Soles ..	2
Rubber Wares ..	48
Saw Mills ..	26
Shipbuilders ..	11
Shoes ..	3
Shoes Laces ..	3
Silver Refinery ..	1
Soap ..	4
Soy and Sauce ..	7
Sugar ..	3
Tannery ..	4
Tapes ..	1
Thread ..	3
Tin Cans ..	12
Tobacco ..	3
Tooth Brushes ..	3
Torches ..	18
Toys ..	2
Twine ..	2
Type Foundry ..	1
Vacuum Flasks ..	4
Weaving (Cotton) ..	150
Weaving (Silk) ..	2
Zinc Oxide Manufacture ..	1
Miscellaneous (Marble works, bone grinding and Jam Making) ..	5
Total ..	1,143

ESTABLISHMENT OF EMPLOYERS' FEDERATION IN HONGKONG

On April 19, the Employers' Federation of Hongkong, with 77 member firms, was inaugurated which will later affiliate with the Colonial Employers' Federation, London, and federations in Singapore, Malaya, Colombo etc. The objects of the Federation are: (1) encouragement of observance by employers of fair conditions of employment; (2) settlement of disputes by conciliation; (3) promotion of joint consultative action; (4) examination of questions relating to economic and social planning. The Federation will in future act as mediator in disputes between management and labour, it will collect and collate statistical information concerning wages, working hours, employment conditions etc.

Within the Federation 11 employer groups have so far been formed:— Dockyards (Chairman of group Mr. R. G. Craig), Hotels and allied trades (Mr. F. C. Barry), Industrial (Mr. J. A. Stericker), Merchants (Mr. A. L. S. Read), Port Working (Mr. C. E. Terry), Professional & Clerical (Mr. E. R. Childe), Shipping (Mr. G. Campbell), Stores & Shopkeepers (Mr. A. W. Brown), Transportation (Mr. Young Tsun-dart), Entertainments (as yet no chairman).

Functionaries of the Federation are: Chairman Mr. L. Kadoorie, Vice-chairman Mr. J. Finnie, Secretary and Deputy Chairman Mr. S. Parsons. The Executive Committee consists of the above named business men and Mr. W. V. Walker.

BUSINESS WITH JAPAN

Considerable attention has been paid abroad to the business carried on between this Colony and Japan. In a recent article published in the New York Times the present position of trading between Hongkong and Japan was described as follows:—

While China continues to display little scope in her desire to resume post-war trade with Japan, Government and commercial interests in Hongkong have built up Hongkong as an important Far East clearing house for goods to and from the Japanese islands.

The Colony takes sizeable amounts of Japanese cotton yarn, cement, coal, piecegoods for its own use. More important, however, is the barter trade which the Hongkong Government has been able to promote through the exchange of Japanese products for exports from Siam, Malaya, India and even the Middle East and African territories in the sterling area.

In barter trade the Hongkong Government made arrangements to keep accounts with SCAP, but private firms do the buying and selling, with payments made in Hongkong dollars cleared through the Hongkong and Shanghai Banking Corporation there.

Hongkong Replaces Shanghai

Use of Hongkong as an entrepot for this trade leads to utilization of the Colony's banking, shipping, insurance and warehousing facilities and contributes appreciable to the prosperity now prevailing there. To a considerable extent Hong Kong has taken over the role filled before the

war by Shanghai as exchange center for Japanese trade.

British shipping and other firms have stepped in to do the job that formerly was the function of Japanese enterprise. Trade with Japan cleared through Hongkong is now five to six times the value of prewar averages of nearly US\$2 million monthly.

A unique feature of the Hongkong-Japan trade is that it circumvents the SCAP view that Japanese trade should be carried on in US dollars. From the start Hongkong has been unable to pay in US dollars, nor have other Asiatic territories

US\$ Book-Keeping

The Hong Kong authorities and SCAP, after much negotiating, have settled down to a system by which book-keeping is in US dollars, but what takes place is actually a barter of goods bought and sold with Hong Kong dollars. If the Hong Kong Government gets behind in its export balance to Japan, SCAP extends a US dollar credit. If Hong Kong has a favorable balance a US dollar debit is entered in Hong Kong's favor by SCAP.

No US dollar settlements have ever been made and the Hong Kong authorities say they do not propose to make any since they expect always to keep sufficient goods flowing to Japan to keep the accounts substantially in balance.

Goods exchanged under the Hong Kong-Japan trading arrangement are higher in price than American products, but since the Asiatic countries involved do not have US dollars, they are now engaging in a trade getting imports that they would not be able to get at all but for the system Hong Kong has build up.

*In our issue of March 10, p. 236, the Japan-Hongkong trade position was reviewed.

THE FOREIGN TRADE OF CHINA FOR THE YEAR 1947*

Towards the end of the year China's trade control proved successful from the point of view of the Nanking Treasury as the balance of trade considerably narrowed and in December even resulted in a surplus, a fact which for many years past has not been witnessed. The policy of the Government has been to reduce imports to such extent as to bring them in line with exports but as the Chinese economy of today appears to be unable to produce for export much larger quantities of produce and manufactured goods, it is equally impossible to increase the importation of foreign capital and consumer goods. Only the extension of foreign credits can improve the outlook for China's trade in 1948, otherwise there must continue the same limited business with China as during last year.

Government tries by direct participation in trade to increase produce shipments for abroad, a policy on whose success depends the volume of permitted imports as the Government cannot well afford to let its foreign resources dwindle any further. The trade control (Export Import Board) may try to limit the country's trade deficit to about US\$5 million per month which of course does not augur well for import business.

Prewar & Postwar Values

The total trade in 1947 resulted in an unfavourable balance of US\$248.6 million (\$477.2 imports, \$228.6 exports), while in 1928 the trade deficit was \$224 m. (\$706 imports, \$482 exports), and the prewar annual average (years 1935/38) showed an average annual deficit of trade of \$82 m. (average imports \$290 m. and \$208 m. exports).

However, in order to arrive at a proper evaluation of the 1947 trade results the figures require an adjustment and thus in prewar dollars the foreign trade of China for 1947 should read as follows: Imports \$280 m., Exports \$135 m., trade deficit \$145 m. It will be seen then that the 1947 imports of China were, in adjusted value, about equal to the prewar annual average but exports (in value adjusted to prewar dollars) were considerably below the prewar average (1947 exports only about two-thirds of prewar average exports). It was on account of the low export figures of last year that the deficit was so heavy.

Since after the war smuggling and unrecorded trading has much increased and the above figures are based on the official records of the Chinese Customs, it will be necessary in order to arrive at a more correct picture to add to the recorded trade figures those estimates for illicit trading which have been made by private merchants; if one,

therefore, adds to the 1947 imports the amount of US\$100 m. for unrecorded imports, and to the recorded exports the amount of US\$50 m. for unrecorded exports it would appear that total imports in 1947 were actually in excess of the prewar annual average (and if including UNRRA and other gifts into the import totals the imports of China in volume were greatly in excess of the prewar annual average). However, total exports of China in 1947 i.e. recorded and unrecorded exports, were still only 80% of the prewar annual average (adjusted value of China's recorded and unrecorded exports in 1947 about US\$165 m.).

Trade Comparisons

China as an international trading partner remains of small consequence only as the following figures may convey: Recorded trading in 1946: Imports \$605 m. Exports \$161 m. total 766 m. Recorded trading in 1947: Imports \$477 m. Exports \$228 m. total 705 m.

Hongkong's trade in 1946: Imports US\$238 m. Exports \$206 m. total \$444 m. Trade in 1947: Imports

\$400 m. Exports \$329 m. total US\$729 m.

Estimated trade of Japan in 1947: Imports US\$430 m. Exports \$265 m. total US\$695 m.

The foreign trade of the Philippines was larger than China's and the large trade figures of India cannot be compared at all with those of China. It is interesting to see that such small European nations as Denmark, Norway, Czechoslovakia recorded last year total trade figures far exceeding US\$1 billion while Switzerland and Belgium recorded respectively total trade figures of US\$1¼ and US\$3.2 billion.

China's trading partners in 1947

In percentages of the total: Imports: United States 50.15, India 9.04, U.K. 6.86, Canada 3.8, Persia 3.7, Malaya 3.31, Brazil 2.54, Belgium 2.00, Hongkong 1.84, Japan 1.68, Arabia 1.47, Australia 1.39, Switzerland 1.27, Aden 1.13.

Exports: Hongkong 34.18, United States 23.31, U.K. 6.56, Aden 5.05, India 3.17, Philippines 3.36, Siam 3.06, Malaya 2.66, Japan 1.92, Morocco 1.88, France 1.79, Holland 1.69, Belgium 1.64, USSR 1.49, Italy 1.28, Abyssinia 1.2.

PRINCIPAL EXPORTS OF CHINA

Living Animals		1946	1947	Principal destinations
cattle (numbers)	4,002	26,005	Hongkong	
pigs (numbers)	73,833	476,557	Hongkong	
poultry (numbers)	814,896	4,257,000	Hongkong	
Whole Egg, moist & frozen (IN TONS)		—	3,516	U.K.
Poultry Egg, in shell (IN MILLE)		14,542	138,867	Hongkong, Philippines
Duck Feathers (IN TONS)	1,640	1,987	Hongkong, U.S.	
Pig Intestines	428	847	Belgium, Holland, U.S.	
Goat skins (IN PIECES)	52,895	1,462,836	U.S.	
Kid Skins	1,710,867	1,231,547	U.S.	
Lamb skins	1,095,078	608,313	U.S.	
Fresh Fish (IN TONS) .	799	6,379	Hongkong	
Broad Beans	64	15,422	Holland, Italy, Belgium, Hongkong	
Yellow Beans	5,704	60,415	U.K., Italy, Holland, France, Sweden, Malaya, Hongkong	
Cotton Seed cake	513	13,173	Belgium, Sweden, France	
Nutgalls	410	1,630	Hongkong, U.K., U.S.	
Cassia lignea	16,291	7,355	Hongkong, Macao	
Medicinal substances	6,619	5,721	Hongkong	
Vegetables Oils and Tallow (IN METRIC TONS)		—	1,206	Holland, Switzerland
Bean oil	—	1,271	France, Holland, Sweden	
Cotton-seed oil	—	2,279	Hongkong, Holland, Italy, Canada, Belgium	
Groundnut oil	1,067	15,340	Hongkong, U.S. Holland, Italy, U.K., France	
Tea-seed oil	39	2,539	U.K., Italy	
Rape-seed oil	86	551	Hongkong, U.S.	
Essential oils	296	10,317	France, Hongkong, Italy	
Groundnuts, shelled	1,409	3,769	France, Italy, U.S.	
Sesamum seeds	109	8,566	Hongkong, Malaya	
Sugar	465			
Tea				
black congou	2,385	1,307	U.S., Hongkong, U.K.	
black	2,027	4,040	U.K., U.S., Persia, Hongkong	
green sunpowder	87	702	Morocco, U.S.	
other green	1,798	8,383	Morocco, Hongkong, U.S.	

* Concluded from our issue of April 7th p.344

	1946	1947	Principal destinations	Wolfram Ore (Tungsten)	(in quintals)
Cotton Waste	6,470	5,993	U.S., South Africa, U.K.	49,330	61,086
Raw silk, white	626	390	U.S., India, U.S.S.R., U.K., Indochina, Burma, France	France	4,000
Waste Silk	740	1,153	Hongkong, Belgium, France	Hongkong	5,593 14,528
Goats' Wool	1	421	U.S., U.K., Hongkong	Sweden	3,251
Cotton Yarn	142	3,484	Hongkong, Siam, Malaya, N.E.I., Aden	U.S. of America .	15,807
Embroideries other than silk				U.S.S.R.	43,737 23,500
	233	176	Hongkong, U.S., Canada	(in quintals)	
Cotton shirtings, sheetings	9	5,741	Aden, Hongkong, Abys- sinia, Philadelphia, Siam, Malaya, N.E.I.	Antimony Regulus	47,329 85,249
Cotton piece goods	100	2,570	Hongkong, Philippines	Belgium	1,850
Silk Piece goods	54	90	Hongkong, India, U.S., Egypt	Canada	4,000 3,400
Silk Piece goods, mixed .	73	325	India	France	3,500 3,500
Clothing	551	193	Philippines, Hongkong	Hongkong	37,829 46,289
Salt	223,786	167,115	Japan	India	3,820
Hats, buntal, hemp fibre and straw	pieces 2,183,000	pieces 3,415,000	U.S., Australia, Hong- kong	Netherlands	2,000 2,115
Human Hair Nets	gross 332,463	gross 518,756	U.S., U.K., Hongkong, Canada	South Africa ...	100
				Sweden	1,200
				U.S. of America .	15,700
				U.S.S.R.	7,000
				Other Countries ..	275
				Tin Ingots and	(in quintals)
				Slabs	15,599 41,150
				Belgium	711
				Burma	15,587
				French Indo-China	2,000
				Hongkong	15,599 22,119
				U.S. of America .	235
				U.S.S.R.	493

	1946	1947
	(in kilogrammes)	
Bristles	4,759,361	4,435,207
Argentina	120	—
Australia	34,861	82,097
Belgium	15,726	65,151
Canada	—	3,994
Denmark	3,028	1,512
Egypt (incl. Anglo-Egyptian Sudan)	908	—
France	3,024	34,388
French Indo-China	—	182
Great Britain	557,649	1,135,909
Hongkong	208,569	360,327
India	319	1,754
Italy	—	1,512
Netherlands	2,245	—
Norway	—	873
Sweden	18,591	3,399
Switzerland	—	1,252
U.S. of America	3,584,699	2,580,347
U.S.S.R.	392,622	154,221
Other countries ..	—	8,293

	(in quintals)	
Tung Oil	352,638 805,373	
Australia	20 1,777	
Belgium	4,819 3,215	
Canada	— 93	
Czechoslovakia	— 508	
Denmark	2,554 473	
Egypt (incl. Anglo-Egyptian Sudan)	117 245	
France	5,056 4,660	
French Indo-China	— 627	
Germany	— 2,032	
Great Britain	17,525 64,694	
Hongkong	102,162 408,087	
India	— 486	
Italy	3,047 5,472	
Japan	— 8,076	
Macao	— 245	
Netherlands	2,230 8,832	
Norway	2,468 5,150	
South Africa	762 2,853	
Straits Settlements and F.M.S.	— 16	
Sweden	6,905 9,264	
U.S. of America	162,803 248,366	
U.S.S.R.	40,105 30,022	
Other Countries ..	29 172	

PRINCIPAL IMPORTS OF CHINA

Cotton Canvas & Duck.

Imports in 1946: 158,700 metres; in 1947: 204,345 metres, principally imported by U.S., India and the U.K.

Cotton Piece Goods, White or Dyed.

In 1946: 43 million metres
In 1947: 3¼ million metres
Principal importers:—U.S., Hongkong, U.K.

	Quintals	
	1946	1947
Cotton, Raw.	2,813,716	1,212,357
Argentina	8,078	—
Australia	2,391	—
Brazil	582,077	144,151
British East Africa	—	1,829
Burma	5,725	12,941
Canada	7	—
Egypt (incl. Anglo-Egyptian Sudan)	31,001	28,119
French Indo-China	1,257	1
Germany	305	27
Great Britain	587	275
Hongkong	9,228	180
India	775,616	395,871
Iran (Persia)	115	—
Japan	32	—
Macao	2	—
Mexico	442	—
Netherlands East Indies	220,617	1,556
Paraguay	537	—
Peru	86,148	—
Philippine Islands	10,079	1
South Africa, Union of, and Rhodesia	—	6,822
Straits Settlements and F.M.S.	180	2
U.S. of America	1,079,311	615,317
Other Countries ..	—	5,265

Manufactured Cotton Goods.

In 1946: 2.4 million kilogrammes.
In 1947: 838,000 kilogrammes.
Principal importers:—U.S., U.K., Hongkong.

Raw Jute.

In 1946 only 61 quintals from Hongkong, in 1947 25,586 quintals mostly from India.

Sheer Linen.

In 1946 303,900 metres, in 1947 461,800 metres mostly from U.K.

New Gunny Bags.

In 1946: 12,573 tons and in 1947: 17,273 tons mostly from India.

Old Gunny Bags.

2,151 tons in 1946, 1,964 tons in 1947, mostly from Hongkong, India and Macao.

Goods made of flax, hemp, jute.

479 tons in 1946, 258 tons in 1947, mostly from U.K., U.S., India, Hongkong.

	1946	1947
	Metric Tons	
Wool, Carded or Combed Wool	4,052	6,513
and Waste Wool	14	204
Argentina	1,987	2,947
Australia	10	53
Belgium	—	2
Burma	—	14
France	1,730	2,820
Great Britain	25	—
Hongkong	—	68
Italy	—	—
South Africa, Union of, and Rhodesia	9	1
Straits Settlements and F.M.S.	5	—
U.S. of America	269	384

Woolen Yarn and Cord.

218 tons in 1946, 480 tons in 1947 mainly from U.S., Australia, Italy, U.K.

Woolen Serges.

93 tons in 1946, 215 tons in 1947 mainly from U.S. and U.K.

Overcoatings, Tweeds and Homespuns.

1,156 tons in 1946, 886 tons in 1947 mainly from U.S., U.K., Italy.

Worsted Suitings.

63 tons in 1946, 121 tons in 1947
mainly from U.S., U.K., Italy.

Woollen Piece Goods, pure or mixed.

599 tons in 1946, 747 tons in 1947
mainly from U.S., U.K., Australia,
Italy.

Woollen Blankets and Rugs.

487 tons in 1946, 763 tons in 1947
mainly from Hongkong and U.S.

Woollen Clothing.

1,572 tons in 1946, 304 tons in 1947
mainly from U.S.

Artificial Silk Floss and Yarn.

97 tons in 1946, 465 tons in 1947
mainly from Japan, Italy, Holland.

Metals and Ores.

	(in Metric Tons)		
	1946	1947	Principal Importers
Alluminium	3,616	4,556	U.S., Canada
Alum. Foil	684	1,208	U.S., Canada
Brass & Yellow Metal ...	5,090	4,210	U.S., Hongkong
Copper (sheets, wire, ingots etc)	6,600	6,200	U.S., Canada, U.K., Hongkong
Iron Bars	16,064	31,292	U.S., Belgium, U.K.
Iron Rails	10,661	38,870	U.S.
Sheets & Plates (ungalvanised)	32,500	20,400	U.S., India, Belgium, U.K.
Tinned plates	5,887	7,687	U.S., U.K.
Ungalvanised iron & steel, other	6,127	9,056	U.S., Hongkong, U.K.
Iron & steel (galvanised)	1,880	3,753	Belgium, U.S., U.K.
Steel, Spring, Tool & Alloy	729	4,030	U.S., U.K.
Structural Sections of Iron & Steel	11,474	19,624	U.S., U.K.

Machinery & Tools.

	(in Metric Tons)		
	1946	1947	Principal Importers
Textile Machinery	2,963	11,207	U.K., U.S., Switzer- land
Printing Machinery	422	1,362	U.S., Germany, H.K.
Prime Movers	2,763	4,327	U.S., U.K., Switzer- land
Machinery & parts	7,679	17,827	U.S., U.K.
Hand Tools	333	515	U.S., U.K., Hongkong
Machine Tools	1,000	1,632	U.S., U.K.

Vehicles & Vessels.

	(in Metric Tons)		
	1946	1947	Principal Importers.
Aircraft & accessories ...	202	471	U.S.
Locomotives, tenders ...	39	97	U.S., Japan, France
Motor tractors, trucks ...	9,801	5,295	U.S.
Motor cars, buses	2,036	5,234	U.S., U.K.
Bicycles	8,910	41,854	U.K., U.S., Japan
Ships & boats	5,553	8,410	U.S., U.K., Japan

Sulphate of Ammonia.

3,985 tons in 1946, 29,256 t in 1947
mainly from USSR, U.S., U.K., Bel-
gium.

Fertilisers (chemical).

33 tons in 1946, 8,081 tons in 1947
mainly from Canada, U.S.

Caustic Soda.

11,325 tons in 1946, 10,980 in 1947,
from U.K., U.S.

Chemicals and Compounds.

28,957 tons in 1946, 26,502 in 1947
mainly from U.S., U.K.

Medicines, Drugs.

6,199 tons in 1946, 1,445 tons in 1947,
mainly from U.S., U.K., Hongkong.

Aniline Dyes and other coal tar dyes.

2,029 tons in 1946, 3,723 tons in 1947
mainly from U.S., U.K., Japan.

Sulphur Black.

2,266 tons in 1946, 3,638 tons in 1947,
from U.S., U.K., Holland, Japan.

	1946	1947
	Thousands of Litres	
Gasolene, Nap- tha, and Ben- zine, Mineral ..	355,753	542,619
Aden, Perim, etc.	8,561	15,561
Arabia	9,146	63,395
British North Borneo	1,826	—
Burma	36	45
Egypt (incl.Anglo- Egyptian Sudan)	7,983	219
Great Britain ...	39,671	24
Hongkong	734	606
India	16	82
Iran (Persia) ...	63,431	146,021
Japan	1	—
Macao	140	—
Netherlands East Indies	6,765	6,981
Straits Settlements and F.M.S.	12,364	20,960
U.S. of America ..	205,121	288,257
U.S.S.R.	37	134
Other Countries ..	—	327

	1946	1947
	Metric Tons	
Liquid Fuel	330,659	1,207,140
Aden, Perim, etc.	4,962	247,364
Arabia	20,284	166,274
British North Borneo	2,058	13,641
Canada	—	208
Egypt (incl.Anglo- Egyptian Sudan)	204	—
Germany	10	—
Great Britain ...	49,047	222
Hongkong	1,421	1,233
India	45	2,270
Iran (Persia) ...	71,686	436,147
Japan	—	3
Macao	173	3
Mexico	19,305	—
Netherlands East Indies	26,763	40,250
Philippine Islands and F.M.S.	1	63
Straits Settlements and F.M.S.	27,009	63,644
U.S. of America ..	109,260	23,818

Lubricating Oil.

63.6 million litres in 1946, and the
same quantity in 1947 chiefly from U.S.

2,192 tons in 1946, 4,529 in 1947
mainly from Malaya, Hongkong, Siam.

Paraffin Wax.

5,179 tons 1946, 5,712 tons 1947, from
U.S.

Scientific Instrument & Apparatus.

1,559 tons in 1946, 534 tons in 1947
mainly from U.S., U.K.

Electric Bulbs.

2.4 million pieces in 1946, 8.4 million
pieces in 1947 mainly from U.S., H.K.

Electric Accumulators and Dry Cells.

2,302 tons in 1946, 2,467 tons in 1947
mainly from U.S.

Electric Wire, Insulated.

3,096 tons in 1946, 1,294 tons in 1947,
from U.S., U.K., Belgium.

Electrical Fittings and Materials.

702 tons 1946, 752 tons in 1947 from
U.S., U.K.

Electrical Appliances.

535 tons 1946, 1,014 in 1947 from U.S.

**Telephonic and Telegraphic Instru-
ments and Parts..**

116 tons in 1946, 329 tons 1947,
mainly from U.S., France, U.K.

Radio sets and parts.

628 tons in 1946, 713 tons in 1947
from U.S., U.K., Japan.

Salted Fish.

5,857 tons in 1946, 7,822 in 1947 from
Hongkong, Macao.

Milk, condensed, evaporated, powdered.

6,200 tons in 1946, 5,200 in 1947
mainly from U.S.

Rice and Paddy.

19,200 tons in 1946, 114,837 tons in
1947 mainly from Burma, Siam. Indo-
china.

Wheat Flour.

54,600 tons in 1946, 98,115 t in 1947
mainly Canada, U.S.

Sugar.

11,241 tons in 1946, 12,288 in 1947
from Peru, U.S., Holland, Argentina.

Cigarettes.

4 million packets of 500 each in 1946,
2.2 million packets in 1947, mainly
from U.S.

Tobacco Leaf.

12,307 tons in 1946, 18,813 tons in
1947 practically all from U.S.

	1946	1947
	Thousands of Litres	
Kerosene Oil	292,917	379,822
Aden, Perim, etc.	16,281	31,888
Arabia	10,439	22,209
British North Borneo	298	—
Burma	8	1
Great Britain	25,212	46
Hongkong	2,298	113
India	9	—
Iran (Persia)	75,861	111,417
Japan	1	—
Korea	—	1
Macao	391	—
Netherlands East Indies	11,536	6,663
Straits Settlements and F.M.S.	28,857	26,164
U.S. of America ..	121,721	177,230
U.S.S.R.	—	2
Other Countries ..	—	4,080

Leather, sole.

3,487 tons in 1946, 981 tons 1947, from Australia, U.S., Argentina.

Leather, other.

699 tons 1946, 194 tons 1947 mainly from U.S., Australia.

Timber.

Ordinary: 236,000 cubic metres in 1946, 376,090 in 1947, mainly from U.S., Japan, Canada, Railway sleepers: 365,000 in 1946, 1.9 million pieces in 1947, mainly from U.S., Japan.

Coal.

73,000 tons in 1946, 215,000 tons in 1947 mainly from Indochina, U.S., Canada.

Asphalt.

12,900 tons 1946, 17,349 tons 1947 mainly from U.S., Egypt.

Window glass, common.

41,000 units of 10 square metres, in 1946, 161,000 in 1947 mainly from Belgium, U.S., France.

Rubber, old, and crude.

20,828 tons 1946, 38,756 tons in 1947 mainly from Malaya, U.S., Hongkong.

Rubber Tires.

96,600 pieces in 1946, 246,968 pieces in 1947 mainly from U.S., India.

	1946	1947
	(in Quintals)	
Common Print- ing and News- printing Paper (made chiefly of Mechanical Wood Pulp....	530,376	516,062
Australia	—	855
Belgium	75	225
Burma	4	—
Canada	181,748	273,409
Czechoslovakia	391	227
Denmark	—	2,074
Finland	44,943	19,654
France	—	2,296
French Indo-China ..	5	—
Germany	4	—
Great Britain	1,711	425
Hongkong	1,556	1,174
Italy	4,867	7,749
Japan	244	8,099
Macao	5	3
Mexico	—	80
Netherlands	—	7,634
Norway	95,399	86,399
Philippine Islands ..	46	393
Straits Settlements and F.M.S.	7	—
Sweden	34,734	32,478
Switzerland	—	100
U.S. of America ..	40,088	27,809
U.S.S.R.	132,868	34,220
Other Countries ..	—	10,759

Books and music, newspapers, periodicals.

6,341 tons in 1946, 8,471 tons in 1947 mainly from U.S., Hongkong.

Cigarette paper.

4,240 tons 1946, 3,258 in 1947 from U.S., Japan, France.

Drawing, Document, Bank-note paper.

3,732 tons 1946, 3,064 in 1947, mainly from U.S., Norway, Sweden.

Printing paper (free of wood pulp).

9,463 tons in 1946, 7,400 in 1947 mainly from Norway, U.S., Sweden.

Wood Pulp.

7,547 tons in 1946, 8,313 tons 1947, mainly from U.S., Canada, Sweden, Finland.

DETERIORATION IN KWANGTUNG

The hopeless and ever deteriorating financial situation in China can be seen from a recent report from Canton which states inter alia:—

Mr. Kao Fang, Director of the Finance Control Bureau in Canton, announced at a press conference last week that he has tendered his resignation because of his inability to cope with the disrupted financial situation in that city. He said that financial affairs there were very critical and attributed this state of affairs to the monetary inflation and the complete loss of confidence in CN\$. The influence of Hongkong dollars in Canton is very large (like US\$ in Shanghai) and wealthy people, holding large amounts of foreign exchange, are conducting speculative transactions to amass wealth always at the expense of the public.

Mr. Kao stated that all salaried employees and the poorer classes are near the state of collapse. With foreign exchange rates soaring, commodity prices follow suit. He said that adjustments in salaries and wages never can keep pace with the upward trend of commodity prices.

Mr. Kao estimated that every day about 50,000 smugglers use the Canton-Kowloon Railway to carry out their activities. He said they are backed by a number of Chinese banks which have set up branch offices in Hongkong. He admitted that the situation is beyond his control and that the combined efforts of his staff, composed of 50 officials cannot achieve any improvement in the financial setup.

Therefore he had to resign.

* * * *

Chinese press reports reveal conditions in Kwangtung as much disturbed and barter trade, in more and more districts, being resorted to by traders, farmers, builders and shippers. The various official announcements pro-

fessing reconstruction and development plans are by practically all vernacular papers and other publications ridiculed. Following is a condensed report from the *China Economist*, published in Shanghai:

* * *

The reconstruction work in Kwangtung Province has been highly handicapped by the fast currency inflation and unstable military situation. The Kwangtung authorities drafted a number of grandiose projects, most of which will fizzle out.

Compared with prewar figures, the price indices were up 300,000 times at the end of February. The monthly income of bank, company and restaurant employees, as a contrast, was on the average 40,000 times what they received before the war.

The Kwangtung authorities try to check the menacing trend of price increases through the suspension of remittances from outport cities as well as fight against the growing black-market transactions. Commodity prices continue to climb at an accelerating pace in concert with the price rocketing in other big cities.

The Chaos in February

In February, the price level was pushed up more than 100 percent largely because of an extremely loose money market. These sharp increases should partly be attributed to the increasing activities of Communist guerrillas which, besides disrupting the transportation of goods between the cities and countryside, have a marked effect upon public psychology in that the people firmly believe that solid goods are better than paper money in the midst of chaos.

The main cause of the February economic disturbances, however, lies with currency inflation which was worsened by the continuous inflow of surplus capital under one form or another from northern districts.

Smuggling and Expensive Living in Canton

The major obstacles in the way of establishing firms or factories today in Canton are the ever mounting operation expenses and the housing shortage. Today it costs a man without private accommodations at least HK\$

1,600 a month to live in a hotel, eat in restaurants and send clothes to the laundry.

In view of the difficulties of finding jobs in Canton where over one-fourth of the population is unemployed, hundreds of thousands of able-bodied citizens engage in smuggling goods in and out of the municipal area. The scope of smuggling is surprisingly extensive while the profits reaped from these illegal activities are colossal. At least 100,000 citizens live on this profession.

Official reports from the Canton Custom House disclosed that there were 1,008 smuggling cases uncovered by the Customs police in 1946 and in the 10 months from February to November, 1947, the number went up to 3,654—or an average of 12 cases per day. These extensive illegal transactions affect the financial conditions of the city, as well as the whole of South China. The Government lost at least CN\$600 billion in Custom duties last year as a result of smuggling.

The rampant growth of smuggling activities in Kwangtung is attributed to the following causes: 1. The wide discrepancy between the open and black market exchange rates which induce local manufacturers to export their goods through smuggling. 2. The official restrictions on import trade which forces the businessmen and industrialists to import commodities and raw materials through the aid of smugglers. 3. The unstable economy which compels a great number of law-abiding citizens to engage in illegal activities for a living.

The Canton authorities attempted to check smuggling by strengthening of police supervision at various communication lines and continual raising of open market exchange rates in line with the rise of black market rates. Nevertheless, dozens of smuggling cases take place in this city everyday.

HONGKONG EXPORT PRODUCE PRICES

Last week's average prices, in HK dollar, per picul of 133.33 lbs:

Wolfram ore 350, antimony 180/200, Yunnan tin 540.

Cassia oil 900, tung oil 148/150, sesame 255, peanut 160, rapeseed 145/154, teaseed 170/172, Malayan coconut oil 150/155. Callnuts 105. (Vegetable oil prices are quoted ex dealer's go-down, excl. drum).

REPORT FROM FOOCHOW

(By A Chinese Correspondent)

Notwithstanding adverse conditions throughout the country, Foochow, which is one of China's leading coastal ports open to foreign shipping has achieved remarkable results as its 1947 foreign trade balance showed a surplus of CN\$121,000 of the prewar currency value (or US\$38,000).

Situated at the mouth of the Min River, Foochow is one of two ports in Fukien Province which conducts trade with foreign countries directly. The other port is Amoy many of whose natives are overseas residents in Siam, Malaya and the Philippines.

During the year of 1946, Foochow's first post-war year, the trade returns recorded a deficit of about CN\$1,348,000 of the prewar currency value (CN\$3.33 per US\$1) as its exports totalled CN\$7,161,000 and imports aggregated CN\$8,509,000. The adverse trade balance remained throughout the first half of 1947, after which its exports gradually improved month after month until the year's end when its total trade account for the year registered a favourable balance of CN\$121,000 (prewar currency value).

Much of Foochow's foreign trade for 1947 was conducted with Hongkong which is the nearest foreign port to the Fukien coastal city. The favourable trade of Foochow during last year was attributed to strict control of imports by the Chinese authorities, while increased exports of timber from the province was the main factor which helped to boost the city's exports.

As the civil war disrupted transportation of timber from China's North-eastern provinces, traders turned their eyes to Fukien which is an agricultural province and has large areas of forestry, plantation. During the latter part of 1947, an average of six steamers were at anchorage in Foochow's harbour every day for shipping timber to Hongkong and other parts of the world.

For the first six months of last year, timber shipments constituted about 25 percent of the province's average monthly exports. But these timber shipments later increased heavily and averaged more than 50 percent of the province's monthly exports in the second half of the year. Besides timber, Foochow's main exportable products are tea, sugar, salt, paper and fish.

CHINA AND OTHER FAR EASTERN PRODUCE AND THEIR USES

VEGETABLE TALLOW

Chinese vegetable tallow is obtained from the fruits of the tallow tree (*Stillingia sebifera sapium sebiferum*) This white-barked tree is a native of Central and Eastern China and is found chiefly in Chekiang, Kiangsi, and Hupeh. It has aspen leaves, which assume a brilliant red colour in autumn and winter and yield a black dye in combination with sulphate of iron.

The capsular fruit, which is about $\frac{1}{2}$ inch in diameter, bursts when fully ripe, and thus discloses the three seeds which it contains. These seeds somewhat resemble coffee beans in size and in shape, and consist of an oily, albuminous kernel enclosed in a hard, black shell thickly covered with a layer of the firm white fatty substance which constitutes the "vegetable tallow" of commerce, the yield obtained being from 20 to 30 per cent. by weight.

One method of obtaining the tallow is to bruise the seeds, place them in water and boil them; the fat which rises to the surface is skimmed off, again melted, and then run into moulds where it solidifies into solid blocks. In the method most commonly used the ripe fruits are first bruised and sifted in order to separate the outer shells. The cleaned seeds, with their fatty covering, are next put into a wooden cylinder with a perforated bottom, the cylinder itself being placed over an iron vessel containing boiling water. The seeds are steamed in this manner for from 10 to 15 minutes until the fat is quite soft. They are then gently beaten in a conical mortar in order to separate or loosen the tallow from the seeds, the whole being next transferred to heated bamboo sieves, through which the melted tallow escapes and runs into vessels where it is cooled to a solid mass. The crude tallow thus obtained is very coarse and dark coloured, the dark colour being due to the brown cuticle which separates from the seed during the process and which remains mixed with the fat. To remove this impurity, the tallow is again melted and then poured into cylinders formed of several layers of straw rings bound with bamboo hoops. The cylinders containing the melted tallow are then placed in a crude press, by means of which the liquid tallow is forced out in a fairly pure state and is collected in a tub placed below, and afterwards allowed to solidify; it is sometimes further refined by being remelted. The product finally appears on the market in the form of tub-shaped masses, each of which weighs from 80 to 90 catties net, and is packed in a rough mat covering held in position by a network of split bamboo.

The seeds left after the tallow has been removed are afterwards cracked between heated millstones; the mass is then winnowed so as to remove the shells, after which it is passed through an edge runner mill, steamed, made into cakes, and not pressed. It then yields an oil known as *ch'ing-yu*, which

is used as an illuminant and in medicine.

The husks and tallow refuse are used as fuel, the residual cake and seed refuse being used as manure, especially for tobacco. The bark of the tree is used in medicine.

Vegetable tallow appears in commerce as a hard, firm, opaque, solid mass, which, when pure, is almost perfectly white. It is practically tasteless and odourless. High grades have an average melting point of about 115°F ., but a very inferior quality has a melting point of about 95°F . According to Dr. Macgowan, vegetable tallow is composed chiefly of tripalmitin, a substance which, saponified with alcoholic potash, produces palmitic acid.

Vegetable tallow is used for making candles, which are usually coated with white insect wax, or in making composite candles formed of a mixture of tallow and white wax; it is also used as a lubricant for machinery, in making soap, as a pomade for the hair, as an illuminant, and in treating sores and skin diseases. The Chinese often use it internally in medicine as an emetic, purgative, and hydragogue, and as an antidote in cases of poisoning. Great quantities of vegetable tallow are exported from the Yangtze ports, chiefly from Hankow; most of that exported goes to Europe, small amounts being sent to the United States.

Various kinds of vegetable tallow are produced in other parts of the world, the most important being obtained from the nuts of several species of Hopea, trees which flourish in the Malay Peninsula and in the East Indies. The methods used in obtaining the tallow are very similar to those in use in China, and the product is used for more or less the same purposes as Chinese vegetable tallow.

ALBUMEN

Albumen occurs in all animal fluids and solids, particularly in the white of eggs, in the blood, the flesh, and the brain, and in the sap of potatoes, turnips, carrots, and other vegetables, in many nuts, and in the seeds of the cereal grasses. It is obtained commercially mainly from the whites of eggs, which contain about 15 per cent. of albumen and 85 per cent. of water, with slight traces of fat and sugar.

Albumen occurs in two different forms—soluble and insoluble, the soluble being the form in which it occurs in the animal kingdom. Soluble albumen has the property of coagulating, and thus becoming more or less solid, by the action of heat, and this property is characteristic of albumen. The chemical composition of albumen is given as follows: carbon, 53.3 per cent.; hydrogen, 7.1 per cent.; oxygen, 22.1 per cent.; nitrogen, 15.7 per cent.; sulphur, 1.8 per cent.; and traces of phosphorus.

Great quantities of egg albumen are prepared in China, particularly in the

Yangtze ports & Tientsin, whence there is a large export to Europe and the United States. The preparation of egg albumen is essentially an evaporating process and requires the use of no chemical or other preservatives. In China the whites, after having been separated from the yolks, are put into barrels or tanks, stirred for a time, then left for a few days, during which time the waste products rise to the top. The lower portion is then drawn off, and, sometimes after ammonia or other alkali has been added, is placed in shallow trays or pans and subjected to the action of heat, the result being that the albumen coagulates and forms a thin transparent sheet, which is sometimes powdered, but usually broken into fine, small, yellowish or light amber coloured, bright, brittle, horn-like pieces of irregular shape and size, in which condition the dried albumen is packed into airtight, tin-lined cases ready for export abroad. 100 catties of eggs yield about $\frac{6}{4}$ catties of albumen and about 35 catties of yolk.

Dried albumen is in great demand for making confectionery, biscuits, and other foods. Albumen also has a great many other uses, among which may be mentioned:—(1) For clarifying oils and other liquids, the process being to first mix the albumen with the liquid to be clarified, and then to apply heat, thereby coagulating the albumen, which retains all the insoluble impurities, leaving the liquid clear; (2) As a mordant in dyeing and in cotton printing (vegetable fibres treated with albumen are said to be "animalised" and can be dyed with the same dyes as animal fibres); (3) In finishing various kinds of "fancy leather"; (4) In making certain kinds of photographic paper; (5) As an antidote in cases of poisoning, as albumen forms precipitates with salts of mercury, lead, silver, copper, tin, and bismuth; and (6) In making "egg cement" (mixed with quicklime), a product which is used in mending chinaware, glass, porcelain, etc.

EGG YOLK

Egg yolk appears in commerce in various conditions. Dessicated yolk of egg is often prepared by beating the yolks and then placing them in shallow pans in which they are exposed to the action of a temperature not exceeding 140°F . until they are evaporated to dryness, the dried material being afterwards powdered. Another method of preparing egg yolk is by means of what is known as the spray process, in which the liquid yolk is sprayed across a chamber through which air is forced in order to dry the yolk. The "kryeska" method is conducted by placing the liquid yolks in a cylinder about 5 metres in diameter, in which a pair of large metal wings is kept rotating so as to lash the yolks to a foam, which is dried by the aid of a current of hot air being constantly passed through the cylinder, no chemicals whatever being used during the whole process. Sometimes both yolk and albumen are mixed together and dried, the product

being known as "mélange." The egg yolk so extensively exported from the Yangtze ports is often shipped in a liquid condition, after having been treated with boric acid and sometimes with other substances, which are mixed with the yolk to the extent of about 15 per cent.

Considerable quantities of egg yolk are also exported from China after having been dried and powdered. Dried egg yolk and mélange are both sold in the form of a soft yellow powder, the mélange being usually slightly paler in colour than the pure dried yolk. Both products are directly soluble in water and will keep for a long time.

Liquid egg yolk is usually packed for export from the Yangtze ports in large casks, containing on the average from 3.50 to 9 piculs each. Dried egg yolk and mélange are frequently exported in tin-lined cases.

Egg yolk is extensively used in the preparation of cakes, biscuits, confectionery, and other foods, also in preparing calf, kid, gloves, and various other soft fancy leathers, and in the production of egg oil.

CHESTNUTS

The ordinary chestnut is the fruit of *Castanea vulgaris*, the chestnut tree, of which there are several varieties growing in almost every province of China. Chestnuts are considered by the Chinese to be very cooling, but difficult to digest; they are also said to hinder the development of the teeth. In former times chestnuts were used in China as a present of introduction by women and were also considered to be suitable gifts to present to the Emperor. They are extensively used as food, either cooked with chicken, etc., or roasted in sand with which sugar or molasses is mixed, also as medicine, both internally and externally. When reduced to a pulp, chestnuts are applied by the Chinese as a poultice in the treatment of rheumatism, sores, bites of animals, etc.

The wood of the chestnut tree is hard and compact, tough and flexible when young, but brittle when old; it weighs from 43 to 54 pounds per cubic foot and contains from 14 to 20 per cent. of tannin. An extract prepared from the is much used in tanning and dyeing. The root and bark of the tree are used by the Chinese in medicine.

WATER CHESTNUTS: — Water chestnuts, or "ground chestnuts" as they are sometimes called, are the tubers of *Eleocharis tuberosus*, or *Scirpus tuberosus*, a plant which is cultivated or which is found growing wild in most parts of China. The sweet, juicy tubers, which somewhat resemble an ordinary chestnut in shape but which are flattened at the end, are black outside and white inside. They are considered to be very cooling and are used by the Chinese chiefly as food, either raw or cooked; they are also used in medicine.

RATTAN

Rattan, or rattan cane, is obtained from the Malay Peninsula, the East Indies, India, Ceylon, Assam, Cochinchina, Australia, Africa, and other tropical countries, the English term "rattan," being derived from the Malay word "rotan," which means "a cane."

Rattan consists of the long stalks of several species of *Calamus*, spinous, climbing, trailing plants or palms, the stems of which, although usually less than ½ inch in diameter, often grow to a length of several hundred feet, the length varying according to the species. After having been collected and then cut into suitable lengths, the stems are drawn through a notch in a tree in order to strip them of the abundance of leaves in which they are sheathed while growing; they are next doubled and then packed in bundles of 100 ready for the market. Rattan is solid, porous cane, with a smooth, hard, bright surface, exhibiting distinct rings where the leaves formerly sprung from the stem. It is valuable on account of its length, strength, flexibility, lightness, and uniform diameter. By means of a special device it can be split and the core removed in a perfectly round rod, the thin outer skin being split into as many strips as may be desired; rattan is also split by hand, but the hand process is much more wasteful than the mechanical process. Rattan is sold mostly by weight and is imported into China in four different forms:—

"Rattan, • Whole," consisting of the rattan just as it is cut and dried, with the leaves removed; usually packed in bundles of 100 canes;

"Rattan Coré," consisting of the core of the cane after the skin has been removed; assorted into various sizes, the core with the smallest diameter being the most valuable by weight;

"Rattan Split," consisting of thick, coarse strips of rattan, usually formed by simply splitting the whole rattan without first removing the core;

"Rattan Skin," consisting of the very fine, thin, outer skin split into strips; the thinner the pieces, the more valuable they are by weight, provided that they are tough and not brittle.

Rattan is used in making furniture, baskets, mats, fans, hats, ropes, cables, whips, walking-sticks, brushes, etc.; as a substitute for whalebone, and for many other purposes. The waste obtained in splitting rattan is used for stuffing mattresses, chairs, etc. Rattan core can be stained without any difficulty, but the smooth, bright skin cannot be stained.

GINGER

Ginger consists of the rhizomes, or roots, of the ginger plant which is indigenous to many parts of Asia and which is grown in the West Indies, Africa, India, and most other tropical countries, the best quality being produced in Jamaica. Ginger is also extensively grown in Central and South

China, particularly in Kwangtung province. The different varieties of Chinese ginger differ considerably in quality, that known as "flat-land ginger" or "lowland ginger" being soft and tender, and that known as "mountain ginger," brittle and very pungent.

Ginger appears in Chinese commerce in various forms—fresh, dried, preserved, etc. The fresh ginger, known as sheng-chiang, is in irregularly shaped pieces, light coloured, and, in taste and strength, inferior to the West Indian ginger. Dried ginger is of two kinds—that which has been dried with the skin on known as "coated ginger" and that which has been dried after the skin has been removed. Most Chinese dried ginger has the skin on and is sold in thin, flat pieces about 1 inch in length and more shrivelled and wrinkled than foreign dried ginger. In some countries dried ginger is treated with a solution of carbonate of calcium in order to protect it against the attacks of insects; it is sometimes bleached with chloride of lime. Preserved ginger consists of the young, succulent rhizomes preserved in syrup, the southern ginger being preferred for this purpose to the ginger from Central China as being less mucilaginous. The celebrated Hong Kong preserved ginger is usually packed in earthenware jars, four jars to a wooden case, and is exported in great quantities to foreign countries.

In the green state ginger is used as a vegetable, condiment, and corrective; the Chinese also use it pickled with vinegar and in medicine. A common Chinese remedy for headache is to heat fresh ginger in the fire, cut it into thin slices, and stick it on the forehead and temples. Dried ginger is used for flavouring purposes, as a spice, condiment, and stimulant, in flavouring candies, etc., and in making ginger beer; it is also used in medicine to stimulate digestion, relieve nausea, and in the treatment of dysentery, urinary difficulties, and constipation. Ginger skin is used by the Chinese in medicines as a carminative and stimulant. The juice obtained by bruising the leaves is also used by the Chinese in medicine as a digestive stimulant.

Ginger contains up to about 3 per cent. of essential oil, to which the odour is chiefly due; the hot pungent taste is caused by the presence of an acrid resin. The inner, or mealy, portion of ginger is composed mainly of starch granules, acrid resin, ginger oil, and fibrous matter; "coated ginger" has in addition an outer layer about 1 millimetre in thickness. The essential oil of ginger is obtained by aqueous distillation. It consists of a thin, yellowish, essential oil, which has a strong odour of ginger, a burning flavour, a specific gravity of 0.893, and a boiling point of 475 OF.; ginger oil is used as a flavouring of ginger, used for flavouring ginger beer, is often obtained by immersing the crushed rhizome in dilute alcoholic solution.

BUSINESS RETURNS BY U.S. COMPANIES IN CHINA

CHINA TRADE ACT ANNUAL REPORTS AND FEDERAL TAX RETURNS

By authority vested in him under Regulation 14 of the China Trade Act, as amended December 4, 1942, the U.S. Registrar has fixed June 15, 1948, as the final date for filing Annual Reports for any fiscal year falling within the period commencing January 1, 1941, and ending December 31, 1947.

With respect to the preparation of Annual Reports, the Registrar will require conformity with the China Trade Act and Regulations insofar as possible, with the burden of proof on the corporations to establish impossibility of performance. The corporation should make every effort to submit an audited balance sheet and a sworn statement of profit and loss based on recollection and estimate, if no other records prove available. Affidavits as to loss or destruction of records should be as complete and detailed as possible. In all such cases affidavits of the corporations should be supported by statements of accredited public accountants that no accounting can be made or that the one made is the best possible under the circumstances.

Where a corporation was completely dormant for a period during the war years, an affidavit to that effect covering the entire period in question will be acceptable. However, a separate Annual Report will be required for every year during which the corporation conducted some business operations. Thus separate reports would be required for the years 1941, 1945, 1946, and 1947, if the corporation operated during those years. In most cases, an affidavit stating that business operations were suspended completely because of the war in the Far East would be satisfactory for the years 1942, 1943, and 1944.

The Registrar will require scrupulous observance of the technical provisions of Regulation 14. Ambiguity should be avoided; and miscellaneous items in the balance sheet and profit-and-loss

statement should be fully explained. Annual Reports should be accompanied by a copy of the income-tax return for the year under consideration. Certificates of distribution of special tax-saving dividends must be substantiated by affidavits of accredited public accountants that such dividends have in fact been distributed as reported.

Corporations desiring to proceed toward voluntary dissolution should comply fully with Section 10 of the China Trade Act and Regulations 6, 8, and 14, as amended. No certificate of authorization for voluntary dissolution will be approved by the Secretary of Commerce until the corporation has filed the Annual Reports required under Section 12 of the Act and Regulation 14 as amended. Stockholders' meetings voting dissolution must be held either at the principal office in China or at the principal office in the District of Columbia. Dissolving corporations will be expected to submit balance sheets and statements of profit and loss in accordance with the instructions given above.

The December 31, 1947, deadline for the filing of Federal income-tax returns for the years 1941 through 1946 has been extended by the Bureau of Internal Revenue to June 15, 1948. Copies of the Commissioner's letter of extension are available at the office of the Registrar, China Trade Act, Department of Commerce, Washington, D. C., and at the American Consulate General in Shanghai, and are required to be attached to delayed returns. So far as the calendar year 1947 is concerned, income-tax returns and payments are not due until March 15, 1948. This due date is automatically extended under Regulation 53-3 (a) (3) of the Internal Revenue Code to June 15, 1948, subject to a 6 percent interest charge from March 15 to the date of payment.

H.K. IMPORT LICENCES

SPECIAL IMPORT LICENCES ARE REQUIRED FOR ALL COMMODITIES IMPORTED FROM ALL COUNTRIES OTHER THAN THOSE MENTIONED IN THE SCHEDULE BELOW.

(2) SPECIAL IMPORT LICENCES ARE ALSO REQUIRED FOR THE UNDERMENTIONED COMMODITIES WHERE THE PLACE OF ORIGIN IS ONE OF THE COUNTRIES MENTIONED IN THE SCHEDULE:—

Butter,
Cheese,
Margarine,
Flour,
Rice and Rice products,
Sugar,
Meat of all kinds,
Soap,
Tin,
Tinplate,
Cotton Yarn,
Sulphate of Ammonia,
Watches,
Gold,
Arms and Ammunition,
Diamonds.

(3) SPECIAL IMPORT LICENCES ARE ALSO REQUIRED TO IMPORT COAL, COKE AND COTTON YARN FROM CHINA.

(4) IMPORTS, OTHER THAN THOSE MENTIONED IN PARAGRAPHS TWO AND THREE ABOVE FROM THE COUNTRIES MENTIONED IN THE SCHEDULE ARE COVERED BY A GENERAL LICENCE NO. I,

SCHEDULE

All territories within the British Empire including Mandated Territories (except Canada, Newfoundland and Palestine), Iraq, Iceland and the Faroe Islands.

French Indochina, Netherlands East Indies, Burma, Siam, China and Macao.

